
**REPORT OF THE DEPARTMENT OF THE CHIEF FINANCIAL SERVICE (MS
M.N. LION**

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1.2 INTRODUCTION

PURPOSE OF THIS REPORT

The purpose of this report is to request Council to consider the 2013/2014 (MTREF) Medium-term Revenue and Expenditure Framework in terms of Section 24 (1) of the Municipal Finance Management Act 2003, Act no. 56 of 2003.

INTRODUCTION

The (MTREF) Medium – Term Revenue and Expenditure Framework submitted to Council today is the collective effort of the Budget Committee and is in line with the requirements of the Municipal Finance Management Act, 2003 and is the financial assertion of our political mandate.

The budget has been prepared in terms of the guidelines set by National Treasury's MFMA Circular no. 66 which states inter alia that the Labour market has deteriorated and that unemployment rose to 36,3 per cent including those who have stopped looking for work. Consequently Municipal revenues and cash flows are expected to remain under pressure in the 2013/2014 financial year and Municipalities must adopt a conservative approach when projecting their expected revenues. Municipalities must also carefully consider affordability of tariff increases especially where it relates to domestic consumers.

Municipalities are also advised to take National Treasury inflation forecasts into consideration when preparing their 2013/2014 budgets and MTREF. The forecast for the 2013/2014 financial year is 5,1% and Municipalities are encouraged to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interest of poor households, other customers and ensuring the financial sustainability of the Municipality.

The preparation of the 2013/2014 Medium Term Revenue and Expenditure Framework (MTREF) was extremely challenging as it was influenced by several factors which include a global economic recession, infrastructure backlogs, salary increases through benchmarking, financial constraints, etc.. The budget was

however drafted with full consideration of the provisions contained in National Treasury Circular 66, Councils financial position, sustainability, affordability and the fact that Municipality's were cautioned by National Treasury to keep increases in tariffs and other charges as low as practically possible. National Treasury also advise Municipality's that Section 20 of the MFMA specifically empowers the Minister of Finance to take appropriate steps to ensure that Municipality's do not materially and unreasonably prejudice national economic policy, particularly those on inflation, administered prices and equity.

The budget has been drafted according to legislation and the Budget Steering Committee believes that the 2013/2014 budget planning initiatives and the accompanying collective budget process resulted in not only a well balanced budget, but also one which is sustainable, equitable and representative of our communities.

Council must also take cognizance that Section 160 (2)(b) of the Constitution of the Republic of South Africa, 1996 (Act no. 108 of 1996) determines that the approval of budgets may not be delegated by a Municipal Council. Section 160 (3) (b) determines that all questions concerning the approval of the budget, are determined by a decision taken by a council with a supporting vote of a majority of its members. In the case of Greater Tzaneen Municipality this means that at least 35 Councillors must vote in favor of the proposed budget.

PART 1 – ANNUAL BUDGET

2. BUDGET SPEECH BY HER WORSHIP MAYOR DIKELEDI MMETLE

The budget speech of the Mayor will be distributed under separate cover.

3. **BUDGET RELATED RESOLUTIONS**

RECOMMENDATIONS

- (a) That the final budget of Greater Tzaneen Municipality for the financial year 2013/2014 and the indicative revenue and projected expenditure for the two subsequent years 2014/2015 and 2015/2016 be approved as contained in the following schedules:

Supporting tables:

A1 to A10

SA 1 to SA 37

Supporting Charts

- (b) That the Annexures and policies attached to this report be approved.
- (c) That Council takes cognizance thereof that the increase in tariffs on the previous year tariffs are within the guideline set by National Treasury.
- (d) That the budget for water, sewer and environmental health drafted by the Chief Financial Officer of Greater Tzaneen Municipality be submitted to Mopani District Municipality (MDM) for consideration, approval and submission to National Treasury.
- (e) That the allocation from sources other than conditional grants for capital projects for the 2013/2014 financial year be approved as follows:

Loans	R	0
Own Sources	<u>R85 312 727</u>	
TOTAL	R85 312 727	

- (f) That the expenditure on the public entertainment and subsistence and travel votes be limited to the budgeted amounts and that no overspending on these votes be allowed without the prior approval of the Municipal Manager and the Chief Financial Officer.
- (g) That no overspending be allowed on the entertainment votes without the prior approval of the Municipal Manager.
- (h) That the Municipal Manager finalizes the Service Level Agreement of the Environmental Health Service with MDM as a matter of urgency.

- (i) That the monthly accounts of poor households (indigent) that qualify for free basic services be approved at R40,00 per month plus water consumption above 6 kilolitre per month.
- (j) That the measurable performance objectives for revenue for each source and for each vote as per **Item 8** be approved.

(k) CAPITAL BUDGET

- I That the capital budgets from own sources be approved as follows:

2013/2014 Financial year	R 85 312 727
2014/2015 Financial year	R 78 322 716
2015/2016 Financial year	R120 712 707

- II That an amount of R84 317 120 be approved from Grants for the 2013/2014 financial year.

- III That no loan be taken up to finance capital projects during the 2013/2014 financial year.

- IV That Council takes cognizance of the R73 247 000 (2013/2014) MIG allocation for capital projects of which R70 317 120 is allocated for Capital and R2 929 880 is allocated for operational.

V TRANSPORT BUDGET

- I That the transport budget as per **Annexure” H“** and tariffs applicable for each vehicle be approved.
- II That all vehicles be rationalized to the needs of the different departments to ensure optimal and cost effective fleet management to all departments.
- III That all departments adhere to the requirements of utilization and costing set out in the Vehicle Fleet Policy.

(l) PERSONNEL

That the personnel budget for Greater Tzaneen Municipality be approved. **Annexure “ G“**.

(m) INTEREST ON ARREARS OTHER THAN FOR RATES

That the interest rate in terms of the Local Government, Municipal Systems Act 32 of 2000 be determined the same as the current rate, namely, 18%.

(n) INTEREST ON AREAR RATES

That the interest rate of prime rate plus 1% as promulgated in Government Gazette no. 28113 of 13 October 2005 be approved and that the prime rate of ABSA Bank, where Greater Tzaneen Municipality primary bank account is held, be applicable.

(o) That R620 000 be made available to the Mayor for the 2013/2014 financial year, allocated as follows:

I R220 000 Special account which must be subjected to Audit.
(Funds will only be transferred to an organization).

II R400 000 For Bursaries

(p) SOLID WASTE: TARIFFS

That the following tariffs for solid waste be approved:

	KERBSIDE REMOVALS	CURRENT	PROPOSED
1.	Domestic waste for 1 x scheduled removal per week (Monthly per domestic premises)	R88.00	R93.28
2.	Business waste for 6 x scheduled removals per week (Monthly per unit)	R293.33	R310.93
3.	Collection, transportation and disposal of animal carcasses per removal	R200.00	R210.00
4.	Institutional waste for 6 x scheduled removals per week (Monthly per unit)	R293.33	R310.93
5.	Industrial waste for 3 x Scheduled removals per week (Monthly per unit)	R234.66	R248.74
6.	Collection; transportation and disposal of condemned foodstuffs per load or 1 x ton or part thereof.	R600.00	R630.00
7.	Bulky Waste Removals		
	I Bulk removal of compactable waste (1 x 6m ³ skip per removal once per week)	R440.00	R608.00
	II Bulk removal of non compactable waste (1 x 6m ³ skip per removal once per week)	R780.00	R1 520.00

		CURRENT	PROPOSED
8.	Private Waste Deposits		
	I Per light delivery van or trailer load not exceeding one ton		
	II Per lorry load not exceeding three ton, but exceeding one ton	R130.00	R140.00
	III Per lorry load not exceeding six ton, but exceeding three ton	R330.00	R420.00
	IV Per lorry load not exceeding ten Ton, but exceeding six ton	R840.00	R870.00
	V Per lorry load exceeding ten ton	R1 370.00	R1 400.00
		R2 310.00	R2 500.00
		CURRENT	PROPOSED
9.	Incineration of bio-hazardous waste Collection, Transportation & Disposal		
	• 5 – 8 x lit sharps	R110.00	R116.00
	• 5 x lit human tissue	R180.00	R190.00
	• 10 x lit sharps	R170.00	R180.00
	• 10 x lit human tissue	R230.00	R245.00
	• 20 x lit sharps	R290.00	R305.00
	• 20 x lit human tissue	R350.00	R370.00
	• 85 x lit H.C.R.W. in liner	R120.00	R126.00
	• 140 x lit H.C.R.W box + liner	R290.00	R305.00
	• 50 x lit H.C.R.W box + liner	R150.00	R157.00
	• 140 x lit Empty liners	R20.00	R21.00

(q) **WATER SUPPLY: TARIFFS**

That the following tariffs for water supply be approved

Tariffs Basic Charges

	CURRENT	PROPOSED
Domestic (AA)	R23.74	R25.16
Business (BA)	R37.48	R39.73
Industrial (CA)	R37.48	R39.73
State (EA)	R63.72	R67.54
Dept (FA)	R23.74	R25.16
Transnet (HA)	R63.72	R67.54
Flats	R38.73	R41.05
Education	R29.99	R31.79

Tariffs for Consumption

		CURRENT	PROPOSED
i	DOMESTIC (AA)		
	0 – 6 kl	R0.60 per kl	R0.63 per kl
	7 – 10 kl	R1.66 per kl	R1.76 per kl
	11 – 25 kl	R2.94 per kl	R3.12 per kl
	26 – 35 kl	R3.95 per kl	R4.18 per kl
	36 – 100 kl	R4.44 per kl	R4.71 per kl
	101 kl and more	R8.29 per kl	R8.78 per kl
ii	BUSINESS (BA)		
	0 – 50 kl	R2.11 per kl	R2.24 per kl
	51 – 100 kl	R3.52 per kl	R3.73 per kl
	101 and more	R4.23 per kl	R4.49 per kl
iii	INDUSTRIAL (CA)		
	0 – 50 kl	R2.11 per kl	R2.24 per kl
	51 – 100 kl	R3.52 per kl	R3.73 per kl
	101 and more	R4.23 per kl	R4.49 per kl
iv	STATE (EA)		
	0 – 50 kl	R5.55 per kl	R5.88 per kl
	51 – 250 kl	R4.56 per kl	R4.84 per kl
	251 and more	R3.25 per kl	R3.45 per kl
v	DEPT (FA)		
	0 – 6 kl	R0.63 per kl	R0.67 per kl
	7 – 10 kl	R1.68 per kl	R1.78 per kl
	11 – 25 kl	R2.95 per kl	R3.13 per kl
	26 – 35 kl	R3.54 per kl	R3.76 per kl
	36 – 100 kl	R4.44 per kl	R4.71 per kl
	101 kl and more	R8.29 per kl	R8.78 per kl

vi	TRANSNET (HA)		
	0 – 50 kl	R5.55 per kl	R5.88 per kl
	51 – 250 kl	R4.56 per kl	R4.84 per kl
	251kl and more	R3.25 per kl	R3.45 per kl
vii	FLATS		
	0 – 75 kl	R0.63 per kl	R0.67 per kl
	76 – 120 kl	R3.30 per kl	R3.49 per kl
	121 – 200 kl	R3.48 per kl	R3.69 per kl
	201 – 250 kl	R3.65 per kl	R3.87 per kl
	251 – 370 kl	R3.83 per kl	R4.06 per kl
	371kl and more	R4.17 per kl	R4.42 per kl
viii	EDUCATION		
	0 – 50 kl	R2.41 per kl	R2.55 per kl
	51 – 200 kl	R1.97 per kl	R2.09 per kl
	201 – 400 kl	R1.41 per kl	R1.50 per kl
	401 kl and more	R2.82 per kl	R2.99 per kl

(r) SEWERAGE: TARIFFS

That the following tariffs for sewer services be approved:

	CURRENT	PROPOSED
Charge per m ² (Basic Charge	R0.23/year	R0.24/kl
CHARGE PER KL WATER USAGE/MONTH		
Domestic (AA)	R0.58/kl	R0.61/kl
Business (BA)	R0.96/kl	R1.02/kl
Hotel (BB)	R0.80/kl	R0.85/kl
Guest Houses	R0.80/kl	R0.85/kl
Industrial (CA)	R0.96/kl	R1.02/kl
Flats (IA)	R0.58/kl	R0.61/kl
State (EA)	R0.74/kl	R0.78/kl
Education	R0.32/kl	R0.34/kl
Incentives	R0.32/kl	R0.34/kl

(s) GENERAL RATES AND REBATE

PROPERTY RATES TARIFFS

RATES TARIFFS	CENT IN THE RAND	
Categories of properties in terms of the policy	CURRENT	PROPOSED
Agricultural Properties		
Tariff on market value	0.2495c	0.2495c
Business and Commercial Properties		
Tariff on market value	0.9981c	0.9981c

Cemeteries and Crematoriums Properties		
Tariff on market value	0.00c	0.00c
Industrial Properties		
Tariff on market value	0.9981c	0.9981c
Institutional Properties		
Tariff on market value	0.9981c	0.9981c
Multi-Purpose Properties		
Tariff on market value	0.9981c	0.9981c
Municipal Properties		
Tariff on market value	0.00c	0.00c
Privately Owned Vacant Land		
Tariff on market value	0.9981c	0.9981c
Public Benefit Organization Properties		
Tariff on market value	0.9981c	0.9981c
Public Infrastructure Properties		
Tariff on market value	0.9981c	0.9981c
Properties for Religious Use		
Tariff on market value	0.00c	0.00c
Residential Properties		
Tariff on market value	0.9981c	0.9981c
Special Properties		
Tariff on market value	0.9981c	0.9981c
State-Owned Properties		
Tariff on market value	0.9981c	0.9981c

That a 75% rebate be approved on agricultural land to comply with the requirements of Government Gazette no. 33016 of 12 March 2010 which reads as follows:

Categories Ratio in Relation to Residential property

Residential property	1:1
Agricultural property	1: 0,25

The agricultural tariff must be 25% of the residential tariff.

That the rates be paid in a single amount before 31 August or in twelve (12) equal monthly installments.

That the interest rate on overdue amounts on property rates be charged at prime rate plus one (1%) percent in terms of the Municipal Property Rates Act, 2004.

That the rebates as contained in Councils Property Rates Policy be applied and that the rebate of 20% on Residential property be increased to 30%, due to the increase in property valuations and that the Policy be amended accordingly.

(t) ELECTRICITY TARIFFS

That the following electricity tariffs be approved:

TARIFF A

- This tariff is available for single phase 230V up to a maximum of 30 Amp circuit breaker capacity
- This tariff will suit low consumption customers, typically less than approximately 650 units.

The following will be payable:

A.1. A consumption charge, per kWh consumed **145.22c**

A.2. The Municipality is currently busy with a pilot project for prepaid metering and the kWh rates applicable will be equal to that of Eskom Home light 1.

Regarding a 60A pre-paid supply, this will be subject to the following conditions:

1. Sufficient network capacity
2. Maximum 60A, single phase

3. Relevant Eskom home light 1 kWh tariff
4. Prior payment of the relevant connection cost as per the Eskom home light 1 tariff.
This tariff will therefore not be available as a standard tariff, but only in the pilot areas at the discretion of the Municipality.

TARIFF B

- This tariff is available for single phase 230V (Capacity not exceeding 16 kVA) and three phase 400V (Capacity not exceeding 75 kVA)
- This tariff will suit medium to high consumption customers.

The following charges will be payable:

- B.1. A fixed charge, whether electricity is consumed or not, per point of supply:

The following size circuit breakers will be available:

		AGRIC/DOMEST	BUSINESS
16 kVA Single phase	70 Amp	R 261.47	R 897.17
25 kVA Three phase	45 Amp	R1 152.90	R 945.00
50 kVA Three phase	80 Amp	R1 493.24	R1 227.62
75 kVA Three phase	100 Amp	R2 076.82	R1 818.71

NOTE 1: The capacity of a supply shall be the capacity as determined by the Electrical Engineering Manager

PLUS

- B.2.1 A consumption charge, per kWh consumed
(Business) Three and Single 89,44c
- B.2.2 A consumption charge, per kWh consumed
(Agriculture/Domestic) Three phase 97.58c
- B.2.3 A consumption charge, per kWh consumed
(Agriculture/Domestic) Single phase 112.75c

PLUS

- B.3.1 On three and single phase Business connections, an additional charge per kWh for every unit consumed above 3 000 units.
(3% of B.2.1/2) **2,68c**

PLUS

- B.3.2 On single phase Agri/Domestic connections, an additional charge per kWh for every unit consumed above 1 500 units.
(3% of B.2.3) **2,93c**

PLUS

- B.3.3 On three phase Agre/Domestic connections and additional charge per kWh for every unit consumed above 3000 units.
(3% of B.2.2) **3,38c**

TARIFF C

- This tariff is available for three phase supplies at the available standard voltage with a minimum capacity of 100 kVA
- This tariff will suit high consumption customers

- C.1** A fixed charge, whether electricity is consumed or not, per month, per point of supply:

C.1.1 Agriculture and Domestic **R2 028,53**

C.1.2 Business **R1 877,57**

- C.2** If the demand is registered during the months of June, July or August per point of supply:

(Agricultural/Domestic) R194,39

- C.3** If the demand is registered during the months of September to May per point of supply:

(Agric/Domestic) R106,97

- C.4** If the demand is registered during the months of June, July or August per point of supply:

(Business) R156,14

C.5 If the demand is registered during the months of September to May per point of supply:

(Business) R75,71

C.6 A consumption charge, per kWh consumed:

C.6.1 If the kWh has been consumed during the months of June, July or August:

(Agric/Domestic) 58,31c

C.6.2 If the kWh has been consumed during the months of September to May:

(Agric/Domestic) 45,03c

C.7 A consumption charge, per kWh consumed:

C.7.1 If the kWh has been consumed during the months of June, July or August:

(Business) 60,85c

C.7.2 If the kWh has been consumed during the months of September to May:

(Business) 48,63c

C.8 A discount according to the voltage at which the electricity is supplied:

C.8.1 If the electricity is supplied at three phase/400V:
0%

C.8.2 If the electricity is supplied at a higher voltage, but not exceeding 11 kV:
3%

C.8.3 If the electricity is supplied at a higher voltage than 11 kV (if available), but not exceeding 33 kV:
5%

TARIFF D

This tariff is available for three phase bulk supplies at any voltage and with a minimum capacity at 200 kVA

- This tariff will suit mostly large load customers who can shift load out of the GTM peak hour periods.

The following charges will be payable:

- D.1** A fixed charge, whether electricity is consumed or not, per month, per point of supply:

R6 546,11

- D.2** A demand charge, per kVA registered, per month, per point of supply:

- D.2.1 If the demand is registered during the months of June, July or August: **R43,46**

- D.2.2 If the demand is registered during the months of September to May: **R43,46**

NOTE: Demand registered during Off-peak Hours will not be taken into account when calculating the demand charge payable.

- D.3** A consumption charge, per kWh consumed:

- D.3.1 If the kWh has been consumed during the months of June, July or August:

D.3.1.1 During Peak Hours **237.16c**

D.3.1.2 During Standard Hours **75,71c**

D.3.1.3 During Off-Peak Hours **43,90c**

- D.3.2 If the kWh has been consumed during the months of September to May:

D.3.2.1 During Peak Hours **81,42c**

D.3.2.2 During Standard Hours **57,84c**

D.3.2.3 During Off-Peak Hours **38,96c**

NOTE 1: For the purpose of this tariff Peak Hours will be from 07:00 to 10:00 and 18:00 to 20:00 on weekdays.

Standard Hours will be from 06:00 to 07:00, 10:00 to 18:00 and 20:00 to 22:00 on weekdays and from 07:00 to 12:00 and 18:00 to 20:00 on Saturdays.

Off-Peak Hours will be from 22:00 to 06:00 on weekdays, 12:00 to 18:00 and 20:00 to 07:00 on Saturdays and all of Sundays.

A Public Holiday falling on a weekday will be treated similar to the Eskom Mega flex Tariff schedule.

Times to be such as to relate to GTM peaks/load curve.

D.4 A discount according to the voltage at which the electricity is supplied.

D.4.1 If the electricity is supplied at three phase / 400V :
0%

D.4.2 If the electricity is supplied at a higher voltage than 400V, but not exceeding 11 kV:
3%

D.4.3 If the electricity is supplied at a higher voltage than 11kV (if available) but not exceeding 33 kV
5%

(u) That Council re-implement the 10 and 5 year (Refurbishment / Rebuilding) electricity programme approved in 2002.

(v) Credit Control

I That Council's adopted Credit Control Policy be strictly adhered to, to curb outstanding debt.

II That a monthly report be submitted to Council regarding Councillor arrears on consumer accounts.

(w) PRE-PAID TARIFF
IBT IMPLEMENTATION

The Greater Tzaneen Municipality is currently launching a pilot project which is in our Extension 13. We are implementing pre-paid metering

which will utilize the latest technologies PLC (Power Line Carrier) metering with concentrators for monitoring and administration purposes.

DOMESTIC TARIFFS (IBT's)			
DOMESTIC BLOCK 1 0 – 50 kWh (c/kWh)	DOMESTIC BLOCK 2 51 – 350 kWh (c/kWh)	DOMESTIC BLOCK 3 351 – 600 kWh (c/kWh)	DOMESTIC BLOCK 4 >600 kWh (c/kWh)
70,00c	87,00c	117.00c	138.00c

SUNDRY TARIFFS 2013/2014

ELECTRICITY

That in terms of the provisions of section 11(3) of the Local Government Municipal Systems Act 2000, the Council by resolution amends the charges payable for the supply of electricity as contained in Municipal Notice No. 19 of 1988 and promulgated in Provincial Gazette no 4565 dated 1 June 1988 with effect from 1 July 2013 by the substitution for part (iii) of the tariff of charges of the following:

By the substitution for clause 2 (1) of the following:

	Current	Proposed
ILLEGAL CONNECTION FEE	R10 000	R10 000

DISCONNECTION CHARGES

Electricity

Electricity Cut – disconnections	R 227.00	R 240.00
Electricity Cut – Removal of meters	R 430.00	R 455.00
Remove installation	R2 120.00	R2 225.00

Water

Water restriction: Residential (15 – 20mm)		R150.00
Water disconnection: non residential (15 – 40 mm)	R701.75	R320.00
Water disconnection: non residential(50-100mm)	R701.75	R745.00
Water Tanker/Kiloliter	R 8.77	R 12.00

SERVICE CONTRIBUTION TARIFF

These tariffs are attached hereto as Annexure "Q".

EVENTS

All events that need to erect a tent at the pitch:

- Tent that take capacity of 50 people R6 000 non refundable
- More than the capacity of 50 people R10 000 non refundable

R5 000 fine to be levied on vehicles driving on the synthetic track.

	SECURITY DEPOSIT	TARIFFS
Major Soccer game	R5 000	R10 000
Sport bodies at club level:Stadium	R 500	R 530
Sport bodies at inter-district level	R1 000	R 1 060
Athletics (Adults)	R1 000	R 1 060
Athletics (Schools)	R1 000	R 1 060

Meeting at Nkowankowa Community Hall R50/hour

Government and Agencies meetings and workshops R530 per day.
That 20% gate takings in respect of all events for which gate takings are collected be levied.

It is also recommended that Nkowankowa stadium be strictly used for sport.

Soccer Teams in the following divisions:	NFD	R590
	Vodacom	R480
	Castle	R270

Sporting codes such as: Tennis, Netball, Volleyball, Aerobics, Boxing, etc. Annually training for 1 hour a day.	R3 710
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N.B. Training from Mondays to Thursdays in the clubhouse and conference room to allow cleaning for weekend bookings.

Lenyenye stadium	R530 per day
Julesburg stadium	R320 per day

N.B. 20% gate takings in respect of all events for which gate takings are collected be levied.

Julesburg stadium	R200 per day
Julesburg Hall	R200 per day
Burgersdorp Stadium	
Major Games	R500 per day
Small Clubs	R200 per day
Minitzani Hall	R200 per day
Clubhouse	R200 per day
Conference Room	R200 per day
Rent of Turner room (Haenertsburg Library)	R95 per day
Projector room (Muhlaba hall)	R95 per day

COMMUNITY HALLS AT NKOWANKOWA AND LENYENYE TARIFFS PER DAY

Film Shows	R1 060
Fashion Shows	R1 060
Political Rally	R1 060
Traditional Dance	R1 060
Music competition / auditions, etc..	R1 060
Charitable Organization & NGO	R 430
Wedding Ceremony	R1 060
Funeral Service	R 530
Church Activities	R 530
Meetings	R 50 per hour
Festivals	R20 000 and 20% of all gate takings
Erection of tent on Vakhegula ground for event	R1 060

WATER CONNECTIONS

That in terms of the provisions of Section 11 (3) of the Local Government Municipal System Act 2 000, the Council by resolution amends the charges payable for the supply of water contained in Municipal Notice 36 dated 22 September 1982 and published in Official Gazette no. 4226 dated 22 September 1982, with effect from 1 July 2013 by the substitution for item 3 of the following:

Miscellaneous Charges

- 1(a) For each separate 19 mm new water connection:
R2 300 Vat included
(Old Tariff R 2 300-00 VAT included)

- 1(b) For each new 50 mm water connection
R8 400 VAT included
(Old Tariff R8 000 VAT included)
- 1(c) For each new 80 – 110 mm water connection
R10 000 VAT included.
(Old Tariff R9 300 VAT included)
- 1 (d) For each water re-connection:
R840 VAT included
(Old Tariff R800 VAT included)
- 1 (e) For each disconnection:
R764 VAT included
(Old Tariff R728 VAT included)
- 1 (f) Water Tanker/kilolitre:
R11 VAT included
(Old Tariff R10 VAT included)

WATER LABORATORY TARIFFS

CHEMICAL ORGANIC DETERMINANDS

Determinand	Abbreviation for request purposes	Analysis Units	Tariff excl VAT	SANAS Accreditation
Chemical Oxygen Demand (O.45µm Filtered)	FCOD	mg/L O ₂	R 193.83	No

CHEMICAL INORGANIC DETERMINANDS

Determinand	Abbreviation for request purposes	Analysis Units	Tariff excl VAT	SANAS Accreditation
Ammonia Nitrogen	NH ₃	mg/L N	R 60.84	No
Chloride	Cl	mg/L Cl	R 68.30	No
Fluoride	F	mg/L F	R 70.79	No
Free Chlorine	ClFre	mg/L Cl ₂	R 150.34	No
Nitrate Nitrogen	NO ₃	mg/L N	R 116.76	No
Orthophosphate	PO ₄	mg/L P	R 78.30	No
Sulphate	SO ₄	mg/L SO ₄	R 57.11	No

**CHEMICAL PHYSICAL
DETERMINANDS**

Determinand	Abbreviation for request purposes	Analysis Units	Tariff excl VAT	SANAS Accreditation
Apparent Colour	Col	PtCo	R 55.87	No
Conductivity	Cond	Ms/m@25 ⁰ C	R 32.25	No
Dissolved Solids	TDS	mg/L@180 ⁰ C	R 63.32	No
PH	PH		R 32.25	No
Suspended Solids	TSS	mg/L@105 ⁰ C	R 74.51	No
Total Alkalinity	Talk	mg/LCaCO ₃	R 63.32	No
Turbidity	Turb	FTU	R 54.63	No

Calculation Methods (requires additional determinands, please confirm with laboratory)				
Ryznar Index	RyzInd		R 23.55	No

OTHER

Determinand	Abbreviation for request purposes	Analysis Units	Tariff excl VAT	SANAS Accreditation
Calcium Hardness	CaHard	mg/L	R 60.02	No
Magnesium Hardness	MgHard	mg/L	R 60.02	No
Total Hardness	Thard	mg/L CaCO ₃	R 98.35	No

**CHEMICAL METALLIC
DETERMINANDS**

Dissolved Metals				
Determinand	Abbreviation for request purposes	Analysis Units	Tariff excl VAT	SANAS Accreditation
Aluminium	Al	mg/LAl	R 54.75	No
Calcium	Ca	mg/L Ca	R 54.75	No
Iron	Fe	mg/L Fe	R 54.75	No
Magnesium	Mg	mg/LMg	R 54.75	No
Manganese	Mn	mg/LMn	R 54.75	No

Potassium	K	mg/LK	R 54.75	No
Sodium	Na	mg/L Na	R 54.75	No
Zinc	Zn	mg/ L Zn	R 54.75	No

**WATER
MICROBIOLOGICAL**

Determinand	Abbreviation for request purposes	Analysis Units	Tariff excl VAT	SANAS Accreditation
E.Coli (Faecal/Total Coliforms to be included-compulsory)	Ecol	cfu/100ml	R 52.13	No
Total Coliforms	TC	cfu/100ml	R 129.22	No

SEWER CONNECTIONS

That in terms of the provisions of Section 11 (3) of the Local Government Municipal System Act 2000, the Council amends by resolution the charges payable in terms of the Drainage and Plumbing By-Laws and By-Laws for the Licensing and regulating of Plumbers and Drain Layers published under Municipal Notice No. 35 dated 22 September 1982, and promulgated in Official Gazette No. 4226 dated 22 September 1982 as follows with effect from 1 July 2013:

- 1(a) For each sewer connection
R2 300 VAT included
(Old Tariff R2 200 VAT included)
- 1(b) Sewer Honey Sucker Services
R40/m³ VAT included + R0,00/km from 0 – 10 km
R115/m³ VAT included + R0.00/km from 11 – 60 km
+ R2.50/km from 61-120 km
+ R3.90/km from 121 km plus
(Old Tariff R115/m³ VAT included)
- 1(c) Domestic effluent by private tanker = R33/m³.
- 1(d) Domestic effluent by private discharger = R11.00/drum of 200L
- 1(e) Trade effluent from outside Municipal jurisdiction: R480/tanker
- 1(f) Trade effluent from within Municipal jurisdiction: R420/tanker

CHARGES FOR THE APPROVAL OF BUILDING PLANS

That in terms of the provision of Section 11(3) of the Local Government System Act 2000 the Council by resolution amends the charges payable for the approval of building plans with effect from 1 July 2013 as set out in the schedule here under:

1. The charges payable for a building plan submitted for consideration shall be as follows:
 - 1.1 The minimum charge payable for any building plan with the exception of items 3 and 4: R370-00 (Old tariff R350-00).
 - 1.2 The charges payable for any building plans shall be R5-00 per m² (Old tariff R4-50)
 - 1.3 To apply the abovementioned charges, the total area of any new building must be calculated at every floor level on the same erf, including verandas, galleries and balconies.
2. In addition to the charges payable in terms of item 1, a charge of R1.50c per m² (Old tariff R1.00) of the reinforced area is payable for every new building in which structural steelwork or concrete is utilized for the main framework as the main structural components of the building.
3. Charges payable for approval of alterations to existing buildings and buildings of special character such as factory chimneys, spires and similar erections, shall be calculated on the estimated value thereof at the rate of R20 for every R500-00 or part thereof, with a minimum charge of R500-00 and a maximum charge of R5 000-00.
4. Building plans for swimming pools will be approved at a charge of R260-00 per plan (Old tariff R250-00).
5. Charges payable for the re-inspection of buildings and swimming pools: R400-00 per re-inspection (Old tariff R370-00).
6. Town maps: R200-00 per copy (Old tariff R190-00).

BURIAL SERVICE: TZANEEN COST CENTRE

That in terms of the provision of Section 11 (3) of the Local Government Municipal System Act 2000 the Council by resolution amends the charges payable for burial services promulgated under Municipal Notice 63/1996 of

18 October 1996 as set out in the under mentioned schedule with effect from 1 July 2013:

SCHEDULE

TARIFF OF CHARGES: BURIAL SERVICES: TZANEEN

1. When the deceased lived in the municipal area at the time of the passing:

Burial: Mondays to Fridays (08H00 to 17H00)

1.1 Per grave for any person under 12 years: R375-00
(Old tariff R352-00)

1.2 Per grave for any person 12 years and over: R677-00
(Old tariff R638-00)

1.3 Opening for second burial: R410-00
(Old tariff R385-00)

2. When the deceased lived outside the municipal area at the time of the passing:

Burial: Mondays to Fridays (08H00 to 17H00)

2.1 Per grave for any person under 12 years: R1 056-00
(Old tariff R1 056-00)

2.2 Per grave for any person 12 years and over: R2 112-00
(Old tariff R2 112-00)

2.3 Opening for second burial: R1 120-00
(Old tariff R1 056-00)

3. Niches: Per niche per deceased R450-00
(Old tariff R400-00)

4. Memorial work: Removal or re-affixing to per memorial work R260-00
(Old tariff R243-00)

5. Removal of ashes from a niche: Per removal R260-00
(Old tariff R243-00)

SCHEDULE

ELECTRICAL CHARGES

That in terms of the provision of Section 11 (3) of the Local Government Municipal System Act 2000, the Council by resolution amends the charges payable for the supply of electricity as contained in Municipal Notice 19 of 1988, with effect from 1 July 2013 by the addition in part (iii) after clause (2) of the following:

TESTING OF METERS

	<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
I Rural	R2 000.00	R2 000.00
II Town	R1 400.00	R1 400.00

DETERMINATION OF CHARGES PAYABLE IN TERMS OF THE PROVISIONS OF THE TOWN PLANNING AND TOWNSHIPS ORDINANCE, NO. 15 OF 1986

Notice is hereby given in terms of the provisions of Section 11 (3) of the Local Government Municipal Systems Act 2000, that the Greater Tzaneen Municipality has by resolution determined charges payable in terms of the provisions of the Town Planning and Townships Ordinance, 1986 (No.15 of 1986), with effect from 1 July 2013 as set out in the Schedule below:

CHARGES PAYABLE TO LOCAL AUTHORITIES IN TERMS OF THE PROVISIONS OF THE TOWN-PLANNING AND TOWNSHIPS ORDINANCE 1986 (NO. 15 OF 1986).

FEES EXCLUDING ADVERTISEMENT AND INSPECTION

	<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
i Application for consent	R1 250.00	R1 375.00
ii Application for amendment of interim scheme	R1 375.00	R1 500.00
iii Application for amendment of Town Planning Scheme	R2 750.00	R3 000.00
iv Application for establishment of a township or land development area (DFA)	R5 000.00	R5 500.00
v Application for removal of		

	restrictive conditions in Title Deeds and/or amendment of Town Planning Scheme.	R2 750.00	R3 000.00
vi	Application for extension of boundaries of an approved township i.t.o. Section 88 (1) of Town Planning and Townships Ordinance, 15 of 1986	R2 750.00	R3 000.00
vii	Application for subdivision for property in 5 or less portions (Section 92 (1) (a) of Ordinance 15 of 1986 Regulation 293 and Regulation 188	R1 540.00	R1 700.00
viii	Application for subdivision for property in more than 5 portions (Section 92 (1) (a)) Ordinance 15 of 1986 Regulation 293 and 188	R1 650.00 for the first 5 portions plus R145 in respect of each further portion	R1 800.00 for the first 5 portions plus R160.00 in respect of each further portion
viii	Application for consolidation of properties	R620.00	R680.00
x	Application for other uses than residential on traditional land	R100.00	R110.00
xi	Application for Council's reasons and written consent	R520.00	R570.00
xii	Reimbursement of Chairpersons of Townships Advisory Committee established in terms of Section 59 or Ordinance 40 of 1960	R825.00/d	R900.00/d
xiii	Comments of Council regarding applications in terms of Act 21/1940 Act 70/1970 permit rights and recommendation of layouts to R293.	R1 540.00	R1 700.00

ix	Comments of Council on application i.t.o. Act 70/1970	R1 540.00	R1 700.00
xv	Amendment of pending division application – Section 17(3), Division of Land Ordinance, 1986	R1 320.00	R1 450.00
xvi	Amendment of pending Township application – Section 96, Town planning and Townships Ordinances, 15 of 1986		
	• Amendment not material	R1 320.00	R1 450.00
	• Material amendment	R4 400.00	R4 840.00
xvii	Phasing of Township Application – Section 99, Town Planning and Township Ordinance, 15 of 1986	R1 320.00	R1 450.00
xviii	Consideration of a Site Development Plan Tzaneen Town Planning Scheme, 2000	R1 320.00	R1 450.00
Xix	Application for extension of time –		
	All applications	R 660.00	R 720.00
	1 st Application (Year 1)	R 660.00	R 720.00
	2 nd Application (Year 2)	R1 320.00	R1 450.00
	3 rd Application (Year 3)	R1 980.00	R2 175.00

ADVERTISEMENT AND INSPECTION FEES

Apart from the fees prescribed in Section A, the following fees shall be payable to the Local Authority:

	<u>OLD TARIFF</u>	<u>NEW TARIFF</u>
1. Notice of application in Provincial Gazette and Newspapers	R2 860.00	R3 140.00
2. Inspection and hearing regarding any application	R1 250.00	R1 375.00

ALLOCATION AND RATES FOR HAWKERS BUSINESSES

<u>Site Allocation</u>	<u>Type of Business</u>	<u>Rates</u>
Market Stall	Hairdressing	R10/d
	Food and Soft drinks	R20/d
	Fruit and Vegetables	R10/d
	Accessories and other	
	Appliances (Cell/ Jeweler/hair/books) Clothing	R10/d R20/d
Pavements/Sidewalks	Fruit and Vegetables	R5/d
	Accessories (Cell/Jewelery/Hair)	R5/d
	Clothing and Toys	R10/d
Trolleys/Designated Cart	Food and Soft drinks	R10/d
	Accessories	R5/d
	Fruit and Vegetables	R5/d
Junction/Road side	Food and Soft drinks	R10/d
	Fruit and Vegetables	R10/d
	Décor materials	
	(flower pots/flowers, etc.)	R10/d
Open designated site Hawkers fee centre of town		R 40.00
Adv. of Board handling fee		R 500.00
Adv. Board Approval fee		R 500.00
Hawkers Bush Mechanics		R 500.00
Hawkers Car wash		R 500.00
Taxi & Busses		R1 000.00

REVENUE

Refer to drawer cheques (R/D) – Admin Fee
Current R164.00 and Proposed R175.00

Unpaid debit orders – Admin fee
Current R164.00 and Proposed R175.00

Supply of information (faxes)
Current R7.00 and Proposed R8.00

Supply of Duplicate statements
Current R7.00 and Proposed R8.00

Furnishing of Clearance Certificate
Current R40.00 and Proposed R60.00

Furnishing of Valuation Certificate
Current R60.00 and Proposed R100.00

Furnishing of Duplicate Clearance Certificate
Current R25.00 and Proposed R40.00

Applying for Clearance Figures
Current R20.00 and proposed R50.00

Final reading levy
Current R40.00 and Proposed R50.00

Credit Control Action – Final Demand Notice
Current R36.00 and Proposed R40.00

Credit Control Action – SMS Notification
Current R5.00 and Proposed R5.00

Copy of the Valuation Roll
Current R750.00 and Proposed R800.00

Minimum initial consumer deposits per category:

	CURRENT	PROPOSED
Flats with electricity only	R 600.00	R 630.00
Flats with electricity and water	R 700.00	R 720.00

Residential and agricultural properties:

Single phase	R 800.00	R 830.00
Three phase	R2 000.00	R2 200.00

Business:

Single phase	R2 000.00	R2 300.00
Three phase	R3 000.00	R3 200.00

Minimum deposit adjustment for disconnected accounts	R 100.00	R 100.00
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Minimum deposit adjustment for dishonoured cheques and returned debit orders	R 100.00	R 100.00
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Threshold for indigent households to be equal to the pensioners allowance as promulgated every year.

All above tariffs are VAT excluded.

RENTAL OF UNIMPROVED PORTIONS OF THE FARM LETABA FLYING CLUB 512

Hanger number	Area/m ²	Current Rental per Month	Proposed Rental per Month
1A	437	R726.84	R 784.99
1	118	R196.56	R 212.28
2	215	R357.48	R 386.08
3	660	R1 097.28	R1 185.06
4	225	R374.76	R 404.74
5	175	R291.60	R 314.93
6	123	Club Hanger	
7	137	R227.88	R 246.11
8	215	R357.48	R 386.08
9	283	R470.88	R 508.55
10A	207	R344.52	R 372.08
10	190	R316.44	R 341.76

11	215	R357.48	R 386.08
12	193	R320.76	R 346.42
13	483	R803.52	R 867.80
14	231	R384.48	R 415.24
15	473	R786.24	R 849.14
16	422	R702.00	R 758.16
23	204	R339.12	R 366.25
24	391	R650.16	R 702.17
28	123	R205.20	R 221.62
29	188	R313.20	R 338.26
Hanger: Pro Air	992	No Contract	
Main Building	298	R495.72	R 535.38

LANDING FEES

	CURRENT	PROPOSED
Single motor aircraft:	R 50 per landing	R 60 per landing
Double motor aircraft:	R100 per landing	R110 per landing
Helicopter:	R 30 per landing	R 40 per landing
Parking fees:	R 20 per night	R 25 per night

CLEANING OF STANDS

Cleaning of overgrown stands	R0.50c/m ²	R0.60c/m ²
Application for certificate of Acceptability		R150.00

CHARGES PAYABLE FOR THE USE OF THE PUBLIC LIBRARIES

Members of the Tzaneen Library	R65.00 or R150/family
Members of the Haenertsburg or Letsitele Libraries	R35.00 or R75/family
Deposit	R150,00 per person
Duplicate certificate of Membership	R10.00
Overdue Library material	R1,00 per book per day

Block loans	R150.00 per year plus membership of person responsible for block loan.
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PHOTOCOPIES

A4 Photocopy	R0,50 per page
A3 Photocopy	R1,00 per page

Copies printed from the Internet and copies of documents created by library users:

Black & White	R5.00 per page
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RENT OF HALLS

Rent of the Tzaneen Library

Study Hall (After hours)

R200.00 per day or part thereof

Rent of Haenertsburg

Turner room

R100,00 per day or part thereof

LICENCING TARIFFS

Poster

With regard to posters the amount of R20.00 per advertisement of which R5.00 is refundable.

Election Posters

An once off payment of R600,00 per candidate/applicant per election and a R150,00 deposit which is refundable.

Pamphlets

An amount of R200.00 per applicant which is not refundable.

Advertisement – Properties

With regard to advertisement of the selling of properties, an amount of R600.00 per calendar year or any part thereof.

Banners

With regard to banners, an amount of R200.00 of which R125.00 is refundable.

Dog Tax

Application for dog tax (Licensing) R50,00 amount payable per dog.

AMENDMENT TO DETERMINATION OF CHARGES FOR THE FURNISHING OF INFORMATION AND DOCUMENTS

It is hereby notified in terms of Section 80B(8) of the Local Government Ordinance, 1939 (Ordinance 17 of 1939), read with Section 10G(7) of the Local Government Transition Act, 1993, read with Section 11 (3) of the Local Government Municipal Systems Act 2000, that the Greater Tzaneen Municipality has by special resolution further amended the charges payable for the furnishing of information and documents, contained in Municipal Notice no. 24 dated 29 July 1981, and published in Provincial Gazette, No. 4157 of 29 July 1981, with effect from 1 July 2013 as follows:

- a) Written information: for every folio of 150 words or part thereof:
R8,00
- b) Continuous search for information:
 - For the first hour R50,00
 - For every additional hour or part thereof R28,00
- c) Photostatic Copies (per copy) R0,75
- d) Faxes:
 - i Faxes received (per A4 copy) R3,75
 - ii Faxes dispatched (per A4 copy) R3,75
- e) Duplicating Work:
 - Per folio R0,35
 - Per master R0,35

4. THE BUDGET

EXECUTIVE SUMMARY

INTRODUCTION

The 2013/2014 medium-term Revenue and Expenditure Framework has to comply with the Municipal Finance Management Act (No. 56 of 2003) and is a financial plan to enable the Municipality to achieve its vision and mission through the IDP.

The projects in the IDP have been prioritized and will be implemented over the next three years. Due to funding constraints Council could not accommodate all high priority projects in the first year and had to spread it over a three year period which is in line with National Treasuries requirements. The three year capital programme also contributes to sound financial management.

The application of Sound Financial Management Principles for our Municipalities Financial Plan is essential and critical to ensure that Council remains financially viable and that our services are provided sustainably economically and equitably to all communities.

This is critical seeing that our budget is being drafted at a challenging time as we are still emerging from a multi-year economic downturn.

The 2013/2014 MTREF is informed by the Municipalities long-term financial strategy with emphasis on affordability and sustainability. The budget has been prepared in terms of guidelines contained in National Treasury's MTREF Circular 66 and the requirements of the Municipal Budget and Reporting regulations.

Council has embarked on implementing a range of revenue collecting strategies to optimize the collection of debt owned by Consumers. Furthermore, Council is currently undertaking a billing data cleanup exercise which has already yield good results.

The budget places a high emphasis on the delivery of basic services and the maintaining of infrastructure but does not lose sight of the fact that we are recovering from a economic recession. Although economists predict an slow upward trend in the economy, our spending plans were drafted to ensure long-term sustainability.

(A) SUMMARY OF THE TOTAL SERVICE DELIVERY PACKAGE AND FINANCIAL IMPLICATIONS

The budget is approved by National Treasury and Provincial Treasury on Vote level but to get an overall picture of the Revenue and Expenditure for the next 3 years the revenue and expenditure per item need to be discussed.

The following table is a summary of all revenue and expenditure on item level:

REVENUE

ITEM	2012/2013	2013/2014	2014/2015	2015/2016
Property Rates	-R52 000 000	-R60 260 000	-R63 212 740	-R66 310 164
Penalties Imposed and collection charges on rates	-R3 200 000	-R3 900 000	-R4 091 100	-R4 291 564
Service Charges	-R394 484 169	-R434 055 244	-R455 323 951	-R477 634 825
Rent of facilities and equipment	-R259 100	-R259 100	-R271 796	-R285 114
Interest earned – External investments	-R1 001 000	-R3 001 000	-R3 148 049	-R3 302 303
Interest earned – Outstanding debtors	-R16 000 000	-R16 000 000	-R16 784 000	-R17 606 416
Fines	-R3 210 136	-R3 210 136	-R3 367 433	-R3 532 437
Licenses & Permits	-R345 000	-R345 000	-R361 905	-R379 638
Income from Agency services	-R45 519 350	-R45 519 350	-R47 749 798	-R50 089 538
Operating Grants & Subsidies	-R318 584 000	-R352 590 579	-R391 097 727	-R453 758 539
Other revenue	-R5 203 203	-R5 203 203	-R5 458 160	-R5 725 610
Gain on disposal of property plant & equipment	-R2 300 000	-R2 300 000	-R2 412 700	-R2 530 922
Income foregone	R9 423 000	R11 145 000	R11 691 105	R12 263 969
TOTAL	-R832 682 958	-R915 498 612	-R981 588 253	-R1 073 183 102

EXPENDITURE

ITEM	2012/2013	2013/2014	2014/2015	2015/2016
Employee related cost – wages & salaries	R158791 826	R194 158 777	R203 538 770	R213 512 169
Employee related costs – Social contribution	R34 368 201	R42 513 168	R44 596 313	R46 781 533
Employee costs capitalized	-R5 451 081	-R7 969 778	-R8 360 297	-R8 769 952
Employee costs allocated to other operating items	-R96 904 815	-R95 791 838	-R100 485 638	-R105 409 434
Remunerations of Councillors	R18 036 148	R18 618 694	R19 531 010	R20 488 029
Bad debts	R14 584 000	R17 706 000	R18 573 594	R19 483 700

Collection costs	R200 000	R200 000	R209 800	R220 080
Inventory surplus/loss	R0	R0	R0	R0
Depreciation	R106 120 310	R110 726 401	R127 384 502	R135 825 133
Repairs and Maintenance	R139 074 684	R135 034 120	R141 650 791	R148 591 680
Interest expense – external borrowings	R23 884 372	R11 931 595	R12 516 243	R13 129 539
Bulk purchases	R233 753 047	R250 811 294	R263 101 047	R275 992 999
Contracted services	R69 269 801	R47 078 423	R49 385 266	R51 805 144
Grants and subsidies paid	R17 224 996	R25 040 196	R28 467 816	R28 596 573
Grants and subsidies paid unconditional	R13 274 187	R6 508 499	R6 827 415	R7 161 959
General expenses – other	R86 899 476	R79 782 932	R83 692 295	R87 793 218
TOTAL	R813 125 152	R836 348 482	R890 628 927	R935 202 370

CAPITAL

ITEM	2012/2013	2013/2014	2014/2015	2015/2016
Infrastructure	R84 407 400	R142 963 347	R153 649 756	R162 518 530
Community	R5 135 000	R19 042 000	R4 500 000	R16 142 600
Other Assets	R5 878 321	R6 624 500	R10 337 920	R31 064 217
Specialised vehicles	R0	R0	R0	R0
Investment property	R0	R1 000 000	R3 000 000	R11 000 000
TOTAL	R95 420 721	R169 629 847	R171 487 676	R220 725 347

ABC

ITEM	2012/2013	2013/2014	2014/2015	2015/2016
Internal recoveries	-R86 597 179	-R139 365 217	-R146 194 113	-R153 357 624
Internal Charges	R86 597 179	R139 365 217	R146 194 113	R153 357 624
TOTAL	R0	R0	R0	R0

APP

ITEM	2012/2013	2013/2014	2014/2015	2015/2016
Cash Requirements	R18 517 888	R0	R14 384 873	R16 819 356
Transfers from/(to) reserves	-R87 283 417	-R90 479 717	-R94 913 223	-R99 563 971
TOTAL	-R68 775 529	-R90 479 717	-R80 528 350	-R82 744 615

The 2013/2014 draft budget of Council was approved on 27 March 2013 after which it was subjected to public participation. The community was invited to comment thereon and make recommendations to ensure that a credible budget which addresses the needs of our Community is approved for the 2013/2014 financial year.

A question was raised regarding the allocation of the entertainment budget for Management but the conclusion was that R236 thousand or 0,02% of our budget of R1 Billion is not worth mentioning.

It can therefore be reported that the changes effected to the approved 2013/2014 draft budget are the following:

Provision has been made for:

- MPAC Officer/Resurger and Secretary
- Labour Relations Officer
- Travelling allowances for an Official in the Information Technology Division to attend to IT problems in remote offices.
- Workshops and training sessions by the Risk manager
- The change in electricity services charges and bulk purchases due to the change in tariff increases as announced by NERSA.

The total revenue for the 2013/2014 financial year amounts to R915 million, which represents an increase of R82 million over the 2012/2013 financial year. This increase is mainly due to the increase in service charges, and external grants from Government.

The total revenue budget includes an amount of R212 million which represents the equitable share allocation to the Greater Tzaneen Municipality.

An amount of R60 million will be levied by way of property tax and R434 million will be sourced from user charges. National allocations to fund operational activities amount to R4,1 million which includes the Finance Management Grant of R1,550 million, the Municipal Systems Improvement Grant of R890 thousand and the EPWP Grant of R1,710 million.

An amount of R836 million has been made available on the operational budget for expenditure. This substantial increase is largely due to the significant increase in salaries, depreciation and ESKOM's tariff for bulk electricity purchases. The Expenditure amount also includes R194 million for salaries, R135 million for repairs and maintenance and R250 million for the purchase of bulk electricity and water.

Contracted services decreased from R69 million to R47 million, mainly due to the fact that Greater Tzaneen Municipality will not become the water service Authority during the 2013/2014 financial year and no provision has been made to accommodate such expenditure. An amount of R30 million was provided for this purpose in previous years but has been excluded from the 2013/2014 financial year.

An amount of R169,6 million has been allocated for capital expenditure for the 2013/2014 financial year. This amount includes the MIG allocation of R70 million which will be spend on roads and Sport and Recreational facilities as well as an amount of R35,8 million which represents counter funding on MIG Projects. Capital from own sources amounts to R85 million. A summary of the detailed capital budget is contained in Section 19 of this report.

The draft 2013/2014 budget was assessed by Provincial Treasury and we were advice to include potential financial risks in our budget report. The financial risk that may pose a threat to Council is:

RISK

The ideal financial position is to establish a cash surplus of three months to accommodate any unexpected disaster that threatens the revenue collection of Council. Currently our cash coverage ratio of 0,2 represents less than a month and this may indicate that we may find it difficult to deal with disasters that affect revenue collection.

(B) THE EFFECT OF THE ANNUAL BUDGET

The growth of Council's Medium-Term Revenue and Expenditure Framework (MTREF) is based on a combination of factors of which, the most important is the fact that National Treasury advised Council not to increase its budget unrealistically as well as the global economic recession which is still in the recovery phase.

National Treasury also caution Municipality's not to materially and unreasonably prejudice national economic policies particularly those on inflation and that cognizance must be taken of the Municipal Budget Circular no. 66 of the 2013/2014 MTREF which determines the following:

Revising rates tariffs and other charges.

“National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank’s inflation target.”

The upper boundary of tariff increases prescribed by National Treasury in Circular no 66 is 6% for rates, tariffs and other charges. The Budget Steering Committee however decided that due to the high increases in the property values, as contained in Councils new valuation roll, no increase in the property rate tariff on the previous year tariff be effected and that the rebate on residential property be increase from 20% to 30%.

The operating budget, of Greater Tzaneen Municipality reflects the following increases:

- Property rates 0%

Revenue increases to consumptive tariff-based services are:

- Electricity (average) 7%
- Water 6%
- Sanitation 6%
- Solid Waste 6%

It must be emphasized that a new electricity tariff increase has been published at the end of March 2013 and that amendments to the electricity tariffs have been effected on the final budget to be tabled to Council at the end of May 2013. Care will be taken that the tariff increases for the two outer years are within the limits set by National Treasury.

Expenditure categories as a % of total expenditure:

- Staff cost 28,3%
- Bulk Purchases 30,0%
- Repairs & Maintenance 16,1%
- General Expenses 9,5%

It must be mentioned that the repairs and maintenance percentage above does not include an amount of R13,8 million which is provided for repairs and maintenance: Renewal of assets. This amount is included in the capital budget.

All tariff increases are within the guidelines set by National Treasury which confirms that Greater Tzaneen Municipality does not prejudice National Economic Policy on Inflation.

(C) PAST AND CURRENT PERFORMANCE ACHIEVEMENTS

MUNICIPAL MANAGER'S DEPARTMENT:

The office of the Municipal Manager comprise of the Internal Audit, Disaster Management, Integrated Development Planning and Performance Management divisions. The following where the main achievements:

- Council approved the 2012/13 IDP on 30 May 2012 along with the budget and it was submitted to the MEC.
- The 2012/13 SDBIP was approved by the Mayor on the 20th of June 2012 and quarterly progress reports were submitted to Council.
- Council adopted the 2011/12 Annual Performance Report on the 28th of August 2012 and was submitted to the Auditor General, Provincial Treasury and COGHSTA.
- The mid-year performance report was submitted to the AG, Treasury and COGHSTA on the 24th of January 2013.
- The draft 2011/12 Annual Report was submitted to Council on the 31st of January 2013 and has been submitted to MPAC for investigation.
- The risk register was updated on 5 November 2012 and a total of 68 risks were identified. A Risk Management unit will be established with interviews for the position of Risk Manager already concluded.
- The Internal Audit charter was developed and approved by the Audit Committee. Quarterly reports are submitted to the Audit Committee. Audit Committee meetings took place on 3 May 2012 & 12 February 2013.

- All Section 56/57 positions signed performance agreements for 2011/12 but the process have not been concluded for 2012/13 with the Corporate Service Director position remaining vacant and 3 others still to sign.
- The 2010/11 Annual Individual Performance Assessments was concluded in October 2011. The assessments for 2011/12 was postponed due to the fact that all section 56/57 contracts expired and new appointments as well as the AG report were awaited. The 2011/12 assessments has been scheduled for 6 March 2013.
- The Annual Disaster Management Report for 2011/12 was approved by Council in January 2013. Disaster awareness campaigns are conducted as schools and incidences are responded to within 72 hours.

FINANCIAL SERVICES DEPARTMENT:

MULTI YEAR BUDGETS (3 YEARS)

- The 2013/2014 Preliminary, Operational and Capital Budgets, which are based on the new financial structure as prescribed by National Treasury are in progress.
- The contents of the budgets and the budget processes that were followed are according to the requirements as set out in Chapter 4 of the Municipal Finance Management Act.

FINANCIAL REPORTING

All the Financial Reports required by the MFMA are completed and submitted to the MEC, NT, Mayor and Council on or before the dates stipulated in the Act.

FINANCIAL STATEMENTS

The 2011/2012 Financial Statements were compiled during August 2012 in accordance with the new format required by National Treasury and are GRAP compliant.

REVENUE

The municipality managed to collect R205 744 545 compared to the budgeted amount of R197 413 686 for the first 6 months. Revenue generated through services represents 52% of the total income.

We average a payment rate of 93%.

A Services Level Agreement with Utility Management Services has been signed in October 2011. They were awarded the tender for the assessment of outstanding debt, clearing of the Municipality's debt book, and implementation and management of credit control for a period of 36 months and indigent verification.

SUPPLY CHAIN MANAGEMENT

A Supply Chain Management Unit has been established within the Budget and Treasury Office. This Unit is responsible for all procurement processes of the Municipality. Council has in this regard approved a Supply Chain Management Policy to regulate activities of the Unit. The officials engaged within the Unit have undergone the training offered by SAMDI for Municipal Supply Chain Officials.

ENGINEERING SERVICES DEPARTMENT

Council achieved a gold status which gave us a blue drop certificate for Tzaneen and Letsitele Water system.

Council bought its own fleet totaling 99 comprising of LDV's, Earthmoving Equipments, Trucks and Mini-busses.

ELECTRICAL ENGINEERING DEPARTMENT

The electricity distribution system which includes in excess of 2 000 km of overhead lines and total assets of an estimated R1.5 billion performed below standards as a result of the historical minimal capital and operating funds allocated. Concerns of the system deteriorating faster than the refurbishment process were reinforced by the problem of our inability to complete Phase two of the capacity project due to financial constraints and resulting in unplanned power interruptions in Tzaneen Town, highlighting the weaknesses of the distribution system created by sustained under re-capitalization into the system. It needs to be noted that the current state of the electricity system and the under reinvestment into the system is considered a serious safety and

performance concern, which may lead to the need to the development in town.

Phase two entails the installing of a cable network in town to enable the additional capacity to be safely fed into the existing network.

Despite the above mentioned concern, the 104 appointed personnel of the Electrical Department have however put in a valiant effort in keeping outages and faults to a minimum. Although there are 82 vacant positions, it is important to note that this is due to the new organogram, which contains many new posts which will be filled in the coming financial years. A total of 26 km of overhead lines were built and a total of around 40 new connections were supplied.

The rural villages and small rural towns of the Greater Tzaneen Municipality are within Eskom's licensed area and will remain as such for the foreseeable future as cabinet has shelved the RED's initiative.

The Electrical Department acquired funding from DOE for Electrification of Settlements in the Greater Tzaneen Municipality distribution network. No farm worker houses receive electrical connections as all available DOE funding was channeled to electrification.

With this large farming community (3 500 square kilometres) and the towns of Tzaneen, Letsitele, Haenertsburg, Gravelotte and Politsi within its distribution area, the Electrical Department has, and will continue to be the leader in the business of electricity distribution amongst Municipalities.

The Services Contribution Policy is now implemented and is a useful tool which will assist in addressing the maintenance and capital backlogs within the distribution system.

CORPORATE SERVICES DEPARTMENT

The Corporate Service Department consists of the Human Resource, IT, Communications, Administrative Support, Public Participation and Mayoral support divisions. The following can be reported as achievements:

- 4 Scheduled and 9 Special Council sittings
- 34 Ward Committees functional and monthly reports are generated
- All Presidential & Premier hotline cases were resolved
- The contracts of service of all directors ended on 30 June 2012. After due process the positions of Municipal Manager and directors for the Office of the Chief Financial Officer, Community Services, Electrical Engineering, Engineering Services and Planning and Economic Development were filled. The re-advertisement and filling of the position of Director (Corporate Services) is in process; whilst for the Director (Office of the Mayor) position no budget was available for this financial year.
- The bulk of the training budget for 2012/13 was directed to enable 21 directors/managers and six councillors to achieve the MFMP qualification as per the National Treasury Competency Requirements for Senior Officials at the University of Pretoria. This requirement became effective from 1 January 2013.
- The year was also characterized by incidences of labour unrest which mainly emanates from the implementation of Categorization and Job Evaluation Wage Curves Collective Agreement (WACCA) and the TASK Final Outcomes Report (FOR). In consequence, a benchmarking exercise took place and the result, namely, a new wage/salary structure was implemented retrospective from 1 July 2012.

PLANNING & ECONOMIC DEVELOPMENT DEPARTMENT

LAND AND HUMAN SETTLEMENTS DIVISION

Rural housing projects

There was a delay on the construction of project because of the delay the approval and issuing of Geo- Technical reports Contractors employed for Greater Tzaneen Municipality are: -

Mahlehle Project Managers	-	100 Units
Tlouneo Business Enterprise	-	100 Units
Blue Dots Pest Control & General Services	-	120 Units
Lempitse Trading Enterprise 119	-	13 Units

TOTAL = 333

Divisional role on the implementation of the project

Activities: identification and verification of 377 beneficiaries, completion of application forms and monitoring of the project. Meeting with Project Management Unit (PMU) and COGHSTA.

Construction Progress Report: Mahlehle – 18 foundation and 4 wall plates, Blue Dot - 46 Foundations, Lempitse – not started, Tlouneo – 19 foundations

About 44 unit have been allocated for the emergency housing in Greater Tzaneen Municipality

Housing consumer education – 4 conducted in Nyavana Tradition Office, Bulamahla MPCC, Relela Community Hall, ± 200 beneficiaries were trained.

Handing Over of Tittle Deeds for Nkowankowa-C Section

- 200 Tittle Deeds of Nkowankowa-C has been received and 140 were handed to the beneficiaries on the 07th November 2012. The remaining will be collected at Nkowankowa office.
- 472 Tittle Deeds of Dan Extension 2 has been received out of 540 units build. Due to challenges of building errors some units are not registered. Also those units which their owners were not found during the completion of registration forms are not registered.

SOCIO-ECONOMIC DEVELOPMENT

LED Strategy - Reviewed the 2007 LED Strategy final product submitted awaiting for Council approval

GTEDA - Committed R 2,5m and transferred R1, 250m in December 2012. Two board meetings and one steering committee attended

Poverty Monitoring Research Pilot - Project launched in November, training for enumerators done and currently busy with data capturing within the 8 villages (Ward 1)

Agricultural Support - Assisted Tours Cooperative with investor facilitation. Supported the following projects: Nkomomonto, Hlabologang

Land Reform - Supported the following projects: Batlhabine, Banareng, Mokgoloboto, Kgatle, Makgoba, Balepye, Baloyi

Sapekoe - Facilitated for revitalisation of the tea estate and attending steering committee meetings

Tourism - Khalanga Lodge - Sitting in the steering committee for advisory and infrastructure facilitation. Mefakeng - SARS revenue and project closed in December

SMME Support - Allocated an amount of R150, 000 for capacity building and other non financial service through SEDA

TOWN PLANNING

Pusela SSSLT Township Development - Project is in progress application pending approval by Council about 60% of work completed

Lenyenye Cemetery ERF 2379 EXT 2 - Verification of ERF boundaries completed, and draft design plans in place.

Land Development Application- A total of 553 applications have been processed.

COMMUNITY SERVICES DEPARTMENT

Community services department comprise six divisions which are Waste Management, Licensing, Law enforcement, Environmental Health, Libraries and Parks, Cemeteries, Sports and recreation.

ENVIRONMENTAL HEALTH SERVICES

Environmental health promotes public health through evaluation and management of caterers during events.

LAW ENFORCEMENT SERVICES

The division renders traffic Law enforcement including By-laws enforcement. The division is also responsible for road safety. Safety and security is responsible for safety of council assets and personnel.

LICENSING SERVICES

The division is responsible for licensing of drivers and vehicles.

LIBRARY DIVISION

Library services provide valuable information to the community and promote a culture of reading.

PARKS, SPORTS & RECREATION, ARTS AND CULTURE

The division is responsible for stadiums, swimming pool, parks, tennis courts and open spaces and cemeteries.

WASTE MANAGEMENT

The division is responsible for public toilets, street cleansing, kerbside collection, bulk collection, landfill site and medical waste.

(D) CONSOLIDATED FINANCIAL POSITION

The 2013/2014 Budget which is submitted to Council for approval can be summarized as follows:

Operating Expenditure by Vote / Department

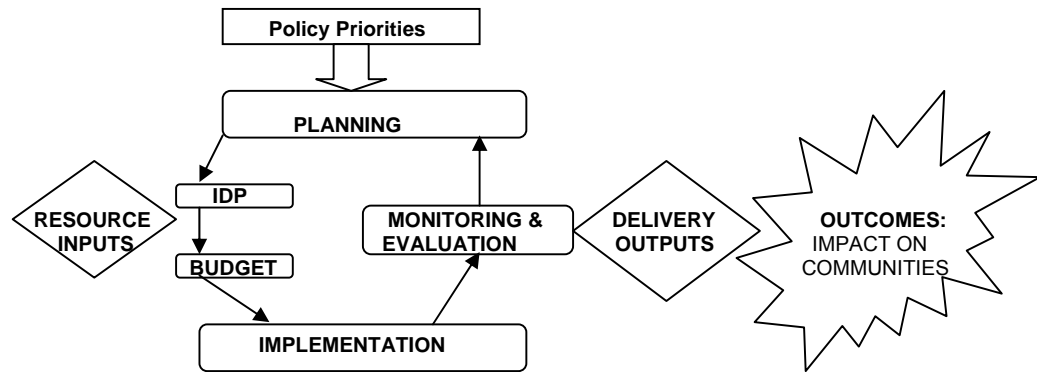
DEPARTMENT	2012/2013	2013/2014	2014/2015	2015/2016
Municipal Manager	8 044 275	11 277 949	12 039 011	12 502 380
Planning & Economic Dev.	18 398 429	18 232 758	19 739 230	21 319 439
Financial Services	50 942 668	60 100 585	63 142 567	66 150 506
Corporate Services	59 146 361	71 520 720	75 136 675	78 644 869
Engineering Services	190 162 855	167 166 347	179 652 180	187 561 163
Community Services	140 409 526	151 011 395	157 726 814	164 704 240
Electrical Engineering	346 021 038	357 038 728	383 192 451	404 319 773
TOTAL	813 125 152	836 348 482	890 628 927	935 202 370

(E) MUNICIPAL PRIORITIES AND LINKAGES TO THE IDP

The strategies objectives of Council are informed by the national priorities arising from the 2009 national electoral mandate and the Limpopo Economic Growth and Development Plan. Key to our focus as municipality is the following priorities:

- Maintenance of municipal infrastructure
- Addressing service delivery backlogs
- Rural development

The process that was followed to ensure that the abovementioned political priorities are linked with the IDP and budget is as follows:



All the operating and capital projects in the 2012/2013 reviewed IDP have been evaluated through our prioritization system to ensure that the IDP, budget and performance targets are aligned. The IDP forms the basis of this process and all resources are focused on combining the different strategies in attaining our vision.

(F) KEY AMENDMENTS TO THE IDP

- ✓ Analysis Phase
 - No amendments were made.
 - However, extensive analysis was made on the current status quo of Council.
- ✓ Strategies Phase
 - Amendments were made by including Vision 2030
- ✓ Project Phase
 - Prioritized projects approved and being implemented.

(G) ALIGNMENT WITH NATIONAL, PROVINCIAL AND DISTRICT PRIORITIES

To attain the Strategic Intent, with limited resources, forced the Municipality to develop strategies on how to achieve these through optimal utilization of human and capital resources. Using the BSC methodology the Municipality has a proven way of developing their

strategies to ensure that they can attain their strategic intent. Taking into account the various aspects and challenges facing Greater Tzaneen Municipality, the BSC methodology is implemented to develop strategies to ensure that the Municipality focuses on all perspectives as contained within the BSC methodology:

- Customer perspectives (defines what the organization will do to satisfy customers and community members)
- Financial perspectives (defines how effectively the Municipality is utilizing its resources to deliver on the community expectations)
- Internal processes perspective (defines and clarifies activities and processes required at providing the value expected by community)
- Learning and growth perspective (defines the foundation of strategic attainment by focusing on the development of skills and capabilities of human resources).

In addition to the above mentioned perspective Greater Tzaneen Municipality has identified and aligned strategic themes that will provide the essential components of the strategies developed. A theme can be defined as an area of strategic focus within the organization that will enable the organization to focus on achieving their strategic intent. The three themes are mentioned below.

- Economic Growth
- Social, Environmental Sustainability and Infrastructure Development
- Governance and Administration

The first two themes are contributing towards the growth strategy of Greater Tzaneen Municipality. (The focus of growth within the Municipality will be towards increasing the income for all and to contribute towards a quality of life for all living within the Municipal boundaries).

(H) KEY AMENDMENTS TO BUDGET RELATED POLICIES

Key amendments have been effected on the following policies:

- Property Rates Policy
- Credit Control and Debt Collection
- Indigent
- Consumer Deposits
- Cash Control, Receipting and Depositing Policy

(I) DEMOGRAPHIC, ECONOMIC AND OTHER ASSUMPTIONS

All assumptions are contained in Item 10, Budget assumptions.

(J) PROGRESS WITH PROVISION OF BASIC SERVICES

Service delivery initiatives 2011/12	
Service	Activities
1. Water	<ul style="list-style-type: none">✓ An average of 94 villages supplied with water through tankers✓ More than 75% of the schools in rural areas supplied with water through tankers✓ 82 new water meters installed✓ 676 burst water pipes reported and attended✓ 2000 stands in Dan Village received sewer distribution network
2. Sanitation	<ul style="list-style-type: none">✓ 1211 sewer blockages attended✓ 1 835 m3 of sewer influent treated at Tzaneen wastewater works✓ 2000 houses at Dan Village reticulated with sewer✓ 1854 households benefitted from VIP's (this include 36 special VIP for disabled people)✓ 1200 stands in Tzaneen Extension 70 and 78 were reticulated with water and sewer
3. Electricity	<ul style="list-style-type: none">✓ Strategic lightings installed in the following areas<ul style="list-style-type: none">• Politsi✓ For the financial year 2011/12, 1949 households received electricity connections. The following villages benefited:-<ul style="list-style-type: none">• Burgersdorp Village 145 Units• Lenyenye Village 105 Units• Mogapeng Village 86 Units• Mokgolobotho Village 936 Units• Ramotshinyadi Village 523 Units• Serare Village 154 Units
4. Roads and Storm water	<ul style="list-style-type: none">✓ 1824 km of internal streets in villages were graded✓ 92.4 km of internal streets regavelled✓ Small bridges constructed in Rikhotso and Morapalala✓ Tar patches done in Tzaneen town and all townships✓ 1735 m2 sidewalks paved

Service delivery initiatives 2011/12	
Service	Activities
	<ul style="list-style-type: none"> ✓ Servitude roads graded in farms ✓ Stone pitching completed in Petanenge, Relela, Nkowankowa, Bulamahlo, Leseke, Dan and Moime
5. Waste Management	<ul style="list-style-type: none"> ✓ Waste Minimization: Presently provided in all towns and townships ✓ Composting: Presently all organic waste is treated at a basic technology composting site

(k) DETAILS OF PROPOSED AMENDMENTS TO THE IDP

Preparation Phase

Amendments were made to the IDP, Budget and PMS process plan to align with MFMA Circular 66.

ACTIVITY	DATE
Approval of Draft IDP	28 March 2013
Public Participation Programme	April 2013
Approval of final IDP	28 May 2013

Strategies Phase
Amendments were made to the Strategic Map of Council

5. ANNUAL BUDGET TABLES

The budget tables to be approved by Council are attached hereto as Tables A1 to A 10 and SA 1 to SA 37.

PART 2:

SUPPORTING DOCUMENTATION (Budget Report)

6. OVERVIEW OF ANNUAL BUDGET PROCESS

(a) Overview of the Budget Process

The Annual Budget process outlines the current and future direction that our Municipality would follow in order to provide services in a sustainable manner. The budget process enables Council to optimally involve residents and other stakeholders in the preparing of the budget.

Greater Tzaneen Municipalities IDP, Budget and PMS process plan for the 2013/2014 financial year was developed and approved by Council in August 2012. The process plan provides broad timeframes for the IDP and Budget preparation process and the main aim of the process plan is to ensure integration between the IDP and Budget and the adoption of a well balanced and credible budget.

The Budget process is guided by Chapter 2 of the Municipal Budget and Reporting Regulations, Gazetted 17 April 2009, which states that the Mayor of a Municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

Section 53(1)(a) of the Municipal Finance Management Act determines that the Mayor must provide general political guidance over the budgetary process and the priorities that must guide the preparation of the budget, while Section 21(1) of the Municipal Finance Management Act states that the Mayor of a Municipality must co-ordinate the processes for preparing the annual budget and for reviewing the Municipality's Integrated Development Plan and Budget related policies, to ensure that the tabled budget and any revisions of the Integrated Development Plan and Budget related policies are credible.

The Budget Steering Committee has been established and is functional. It discusses all budget related activities to ensure that all legislative requirements are adhered to and that a well balanced and realistic budget is approved.

Some of the issues, with regard to the 2013/2014 financial year, that were discussed by the Budget Steering Committee include:

- Increase in salaries
- Overtime
- Increase in Councillor allowances
- Increase in tariffs
- Amount to be allocated for capital projects

- Financing of Capital Projects
- DORA allocations
- Water and Sewer Budget = Operational
- Water and Sewer Budget = Capital
- GTEDA
- Review of past performances
- Budget requests
- Property Rates, new valuation roll

Budget meetings were held with all departments with the commencement of the budget process to review the 2012/2013 budget and to discuss past performance trends of the operating budget. During these meetings the alignment of the IDP and Budget was discussed as well as the 2013/2014 budget realities to ensure that critical service delivery needs are budgeted for.

The Mayor and Councillors have, through the IDP process, guided the 2013/2014 budget process in such a manner that the balance between policy priorities and fiscal realities resulted in a balanced and credible budget.

(b) Planning Process

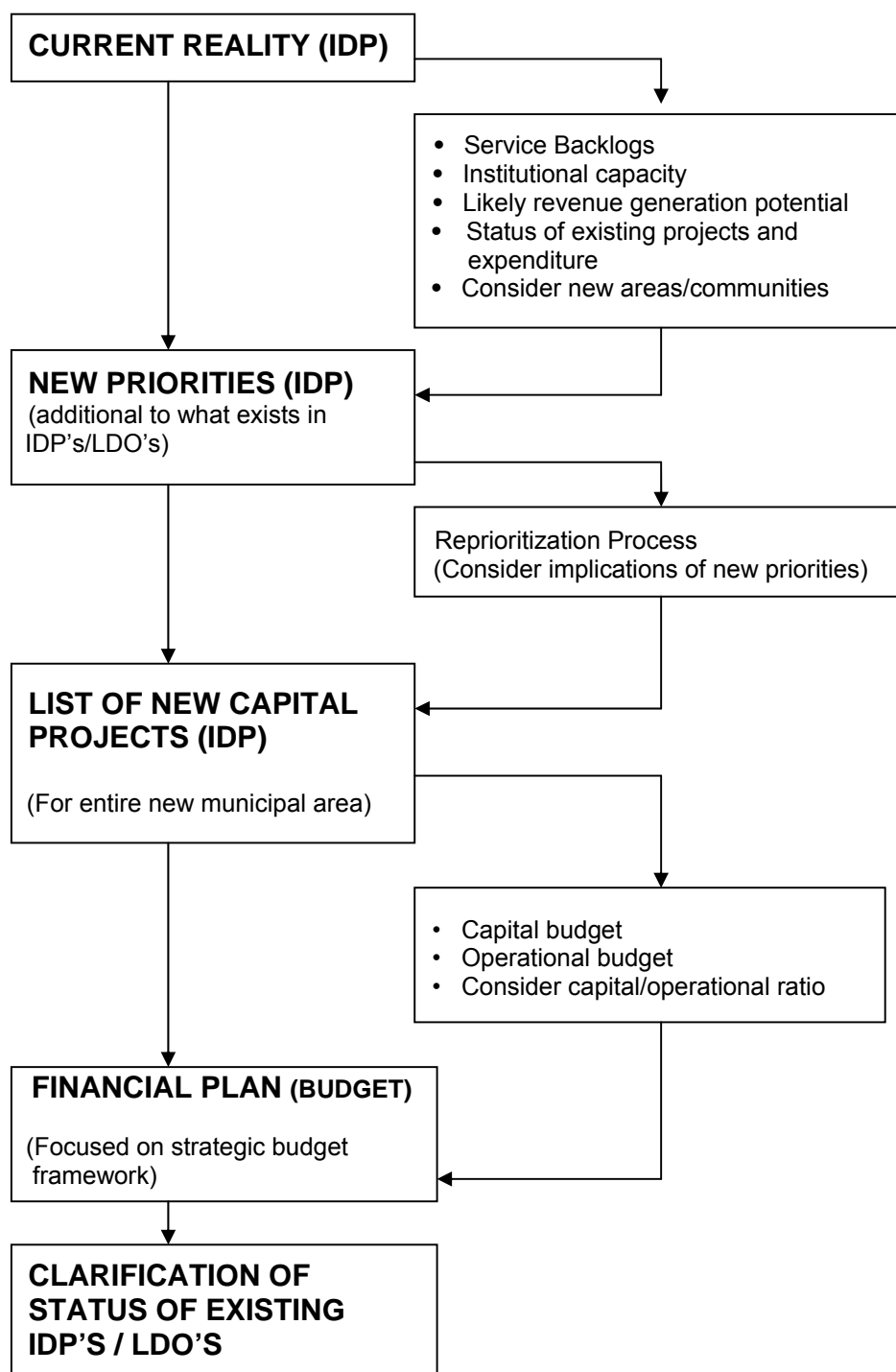
Effective budget planning assists the Municipality in transforming its area of responsibility into a better place to live for all. Budget planning is primarily about the priorities and choices that the Municipality has to meet the policy objectives through better service delivery.

The review of the IDP and drafting of the budget is an evolving and interactive process over a 10 month period. This process commences with the approval of the IDP and Budget time table, followed by the public participation process, approval of the IDP and the drafting of the budget to determine the affordability of service delivery.

In contrast to the role planning has played in the past, Integrated Development Planning is now seen as a function of Municipal Management which includes a system of planning and delivery. The Integrated Development Planning process is meant to arrive at decisions on issues that need to be provided for in Municipal budgets. Integrated Development Planning not only informs management, it also guides the activities from the planning stage through the budget culminating in the execution thereof.

The table below is a summary of the IDP/Budget methodology used by Greater Tzaneen Municipality:

INTERIM IDP/BUDGET METHODOLOGY (1-2 WORKSHOPS)



To comply with the requirement of the Act, Ward committees, residents, community organizations and other stakeholder interest groups, have been invited to participate in the IDP and budget process.

(c) Process for Consultations With Each Group of Stakeholders and Outcomes

Section 22 (1) of the Municipal Finance Management Act determines that:

“22 PUBLICATION OF ANNUAL BUDGETS

Immediately after an annual budget is tabled in a Municipal council, the Accounting Officer of the Municipality must:-

in accordance with Chapter 4 of the Municipal Systems Act-

make public the annual budget and the documents referred to in section 17(3); and

invite the local community to submit representations in connection with the budget; and

submit the annual budget:-

in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury; and

in either format to any prescribed National or Provincial organs of state and to other Municipalities effected by the budget.”

The Municipalities Consultation process on its Draft IDP review and Budget commenced during August 2012 with the approval of the IDP, Budget and PMS calendar.

After approval of the draft IDP and draft budget it was submitted to National Treasury and Provincial Treasury for their consideration in line with Section 22 of the MFMA.

The draft budget was also made available on Greater Tzaneen Municipality's website and it was advertised in two local newspapers.

Community representatives and organizations were given the opportunity to review the priorities indicated previously to ascertain whether it has been captured as agreed upon.

Public hearings have been held and the meetings were scheduled as follows:

Timing Number and type of Consultation

WARD	VENUE	TIME	DATE
01	Masupa High School	10:00	07-04-2013
02	Mokgwathi High School	10:00	28-04-2013
03	Xihokho Primary School (Radoo)	10:00	20-04-2013
04	N'wamungololo Primary School	08:00	28-04-2013
05	Mahwahwa High School	08:00	14-04-2013
06	Runnymede Primary School	08:00	07-04-2013
07	Botludi Primary School	09:00	28-04-2013
08	Relela Thusong Centre	10:00	28-04-2013
09	Kgwekgwe High School	10:00	13-04-2013
10	Mohlatlego Machaba H/School	09:00	21-04-2013
11	Fobeni High School	08:00	14-04-2013
12	Baloyi Tribal Offices	14:00	21-04-2013
13	Mandlahazi Sports Ground	09:00	21-04-2013
14	Politsi School	18:00	18-04-2013
15	Tzaneen Primary School	18:00	17-04-2013
16	Haenertsburg	18:00	18-04-2013
17	Sebone School	08:00	21-04-2013
18	Matimu School	16:00	17-04-2013
19	Nkowankowa Comm Hall	15:00	14-04-2013
20	Mavumba Primary	08:00	20-04-2013
21	Bombeleni School	15:00	14-04-2013
22	Mafarana	08:00	28-04-2013
23	Tito Mboweni Prim. School	08:00	20-04-2013
24	Mhlaba Head Kraal	08:00	28-04-2013
25	Professor	10:00	21-04-2013
26	Julesburg Sport Field	10:00	21-04-2013
27	Bulamahlo MPCC	08:00	21-04-2013
28	Timangeni School	08:00	14-04-2013
29	Myakayaka Junior School	08:00	14-04-2013
30	Motsheng	10:00	28-04-2013
31	Lenyenye Community Hall	18:00	17-04-2013
32	Sekaba High School	08:00	21-04-2013
33	Nakgaga Tribal Offices	09:00	21-04-2013
34	Lesedi MPCC	14:00	20-04-2013

The IDP and Budget time table was approved by Council, 10 months before the start of the budget year in order to comply with the requirements of the MFMA. This time table guided all IDP, Budget,

SDBIP and performance activities and is in line with legislative frameworks.

Process of tabling the budget in Council for consideration and approval.

The tabling of the draft budget in Council on 27 March 2013 has been followed by extensive publication of the IDP and budget in newspapers. It was also published on Councils website.

Public hearing on both the operational and capital budgets were held during April 2013 as mentioned above.

Process to record and integrate inputs from the community in the final budget.

During the consultative process all verbal questions and answers have been recorded.

All written submissions have been directed to the IDP Manager who keep record thereof.

All the submissions received during the consultation process have been considered before the tabling of the final budget.

The Preliminary Budget was also hand delivered to National Treasury and Provincial Treasury to enable them to comment their-on.

Statistics relevant to the process (Submissions received and attendance at forums)

The framework that was utilized to summarize submissions received during the consultation process is as follows:

WARD	DATE	ATTENDING	SUBMISSION

On completion of the consultation process the CLO submitted a summarized report (as per the framework above) to the Chief Financial Officer who scrutinized the report and the Mayor, Municipal Manager and Chief Financial Officer, determined what action had to be taken to address the needs of the Community.

7. ALIGNMENT OF BUDGET WITH INTEGRATED DEVELOPMENT PLAN / SERVICE DELIVERY AGREEMENTS

The Vision of Greater Tzaneen Municipality

To be the most prosperous economy in the country where communities are integrated and have access to sustainable basic services.

Strategic Focus (Key Performance Areas)

The strategic focus, or strategic theme, as it is known in Greater Tzaneen Municipality is an area of strategic focus that will enable Council to focus on achieving its strategic intent. Greater Tzaneen Municipality has followed the initiative from Provincial Government and the Mopani District Municipality to align the strategic themes to that of the provincial clusters.

- » Economic growth (Increased income for all)
- » Social environmental sustainability and infrastructure development (Sustainable quality of live)

(A) Details of proposed amendments to the IDP

- ✓ Strategies Phase
 - New strategies and possible projects were identified
- ✓ Project Phase
 - New projects were prioritized for implementation during the 2013/14 financial year.

(B) Revenue, Operating Expenditure and Capital Expenditure aligned to action plans of the IDP

The IDP provides a five year strategic program aimed at setting short, medium and long-term strategic and budget priorities. The Plan

aligns the resources and the capacity of a Municipality to its development goals and guides the Municipal Budget.

As part of the alignment process extensive financial modeling was undertaken to ensure affordability and long-term financial sustainability.

The following factors have been taken into account during this process:

- IDP priorities and strategic objectives
- Economic climate and trends
- Councils cash flow situation
- Current debtors payment levels
- Council's current loan status
- Tariff increase versus affordability.
- Improved and sustainable service delivery

The budgetary allocations for both the capital and operating expenditure are determined in a manner that will not only ensure that the outcomes of the IDP are achieved but also to ensure that Council's vision is realized.

The Performance Management System (PMS) which is aligned with the IDP and Budget also allows Council an opportunity to monitor and evaluate the organizational performance as well as individual performances of Directors and Managers to ensure that the IDP outcomes and vision of Council are met.

The IDP projects have been prioritized to be implemented over the next three years. These projects will be included in the capital budget, and is attached hereto as Annexure "R"

Alignment with National, Provincial and District Plans

As mentioned previously in this report an integrated process plan was drafted and approved by Council. This plan which includes various processes i.e. Strategic Planning, Integrated Development Planning and the budget process had brought about a collective approach in which the contributions of all the stakeholders are valued.

Various meetings were held with stakeholders to comply with the requirements of the Local Government Municipal Systems Act which determines that the planning undertaken by a municipality must be aligned with and compliment the development plans and strategies of affected municipalities and organs of state.

8. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

(A) KEY FINANCIAL INDICATORS AND RATIO'S FOR:

OUTSTANDING SERVICE DEBTORS

A = B
C

"A" Outstanding service debtors to revenue	32.68%
"B" Total outstanding service debtors	<u>74 284 771</u>
"C" Annual revenue actually received for services	227 297 000

DEBT COVERAGE

$$A = B - C$$
$$D$$

"A" Debt Coverage	10.11%
"B" Total Operating Revenue Received	<u>403 235 579</u>
"C" Operating Grants	146 324 000
"D" Debt Service Payments	25 419 054

COST COVERAGE

$$A = B + C$$
$$D$$

"A" Cost Coverage	2.11%
"B" All available cash at a particular time	<u>33 872 950.85</u>
"C" Investments	58 943 291.67
"D" Monthly Fixed Operating Expenditure	44 059 500.00

(B) MEASURABLE PERFORMANCE OBJECTIVES FOR:

The measurable performance objectives are attached as Annexure "K".

Providing clean water and managing waste water.

- Mopani District Municipality is a Water Service Authority (WSA) while Greater Tzaneen Municipality is the Water Service Provider (WSP). Under the Service Level Agreement, Greater Tzaneen Municipality operates and manage the following Water and Waste water works:

Name of Water Works	Capacity
1. Georges Valley Water Works	9.0MI/d
2. Tzaneen Dam Water Works	6.0MI/d
3. Letsitele Water Works	1.4MI/d
4. Tzaneen Waste water Works	8MI/d

Greater Tzaneen Municipality is partially assisting Mopani District Municipality in the maintenance of Nkowankowa Waste water and Lenyenye Maturation Ponds. In this case Greater Tzaneen Municipality supplies chemicals and maintains the waste water works.

- Blue Drop and Green Drop performance ratings

Greater Tzaneen Municipality received a Blue Drop Certificate during 2011 assessment for Tzaneen and Letsitele Systems. For the 2012 year assessment for both Blue and Green Drop, all Water and Wastewater works and networks for four towns were assessed, and the results are as follows:

Assessment	System	Percentage	Status
2011	Tzaneen	95.14%	Achieved
2011	Letsitele	95,02%	Achieved
2011	Tzaneen Sewerage	84,3%	Not achieved
2011	Nkowankowa Sewer	77,9%	Not achieved
2011	Lenyenye Sewer	21,9%	Not achieved

- As part of the Blue Drop Certificate and Green Drop Certificate requirements, Water Safety Plans (WSP's) for both Wastewater and Water had been established. These Water Safety Plan's are only applicable to the systems operated and Managed by Greater Tzaneen Municipality. There were a few things identified during the audit process for Wastewater Works in Tzaneen and the findings are treated accordingly.
- The following are the identified challenges in Water and Sewerage management
 - There is not enough water for Tzaneen as demand is higher than supply. Application for an increase in water allocation by DWAF has been made but with no success as both dams are over allocated (Tzaneen & Ebenezer)
 - There are illegal or unauthorized connections of both water and sewer by community members which results in high water loss and high blockages of sewers due to soil and debris entering the sewer lines.
 - Water meters and pipes being vandalized leading to excessive water loss.
 - Shortage of funds in repairing and maintenance of water services infrastructure.
- Steps are:
 - Implementation of Bylaws.

- Mopani District Municipality to intervene in speeding up the application of an increase in Water quota.
 - Engage Mopani District Municipality as WSA to fund activities that will improve water supply and control.
 - Mopani to fund upgrading of Tzaneen Water Works.
 - Engage communities (public participation) and educate them about the importance of protecting the Water and Sewerage system.
- Budget for 2012/2013 as outlined in the budget.

The certificate of analysis is attached as **Annexure “J”**.

9. BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS

The budget process of Greater Tzaneen Municipality is guided and Governed by relevant Legislation, Frameworks, Strategies and Policies. The budget related Policies and Amendments are discussed as follows:

9.1 LIST OF BUDGET RELATED POLICIES

Revenue Framework

Section 18 of the Municipal Finance Management Act (MFMA) states that the Budget can only be funded by realistically anticipated revenue to be collected, and cash-backed accumulated funds from previous years, which was not committed for other purposes.

Council has approved policies for main services provided by the Municipality, which are attached as **Annexure “ D ”** to this document.

9.1.1 Revenue-related policies

a) Tariff Policy

The General Financial Management functions covered in Section 62 of the MFMA includes the implementation of a Tariff Policy. Specific legislation applicable to each service has been taken into consideration when the Policy was drafted.

b) Credit Control and Debt Collection Policy

This has been formulated in terms of Section 96 (b) and 98 of the Local Government: Municipal Systems Act, 2000 and the Credit Control and Debt Collection By-Law.

9.1.2 Budget-related policies

The following budget-related policies have been approved by Council, or have been reviewed/amended and/or are currently being reviewed/amended, in line with National Guidelines and Legislation.

a) Budget Policy

The Budget Policy which was approved by Council deals with the objectives, budgeting principles, Responsibilities of the Chief Financial Officer's Legal requirements, Funding of Expenditure and Adjustment budget and is attached to this report.

b) Equitable Share and Indigent Policy

This policy deals with the Equitable Share allocation and Indigent Subsidy and was approved by Council on 17 March 2003.

c) Supply Chain Management Policy

Section 111 of the MFMA requires each municipality and municipal entity to adopt and implement a Supply Chain Management Policy, which gives effect to the requirements of the Act. The Municipal Supply Chain Management Policy was adopted by Council and the three committees required by the Act have been established and are functional.

The Supply Chain Management Policy provides systems for the following functions:

- Demand Management
- Acquisition Management
- Logistics Management
- Disposal Management
- Risk Management
- Performance Management

It also describes in detail the process and procedures of the acquisition of goods, services and works as well as the disposal of inscrutable, redundant and obsolete goods.

d) Rates Policy

In 2008 Greater Tzaneen Municipality prepared a General Valuation Roll of all property in terms of the Local Government: Municipal Property Rates Act of 2004 (MPRA) and it was implemented on 1 July 2008. The policy is attached to the report. The new valuation roll will be implemented on 1 July 2013.

e) Investment and Cash Management Policy

The Council, at its meeting on 13 July 2004 (Item B 145) approved the Investment Policy that deals with the management of the surplus cash resources and the investment thereof.

f) Virement Policy

The Virement Policy aims to empower Senior Management with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA. While no limits were placed on the amount of the virement, certain limitations were placed in terms of allocations and it further provides for flexibility within votes.

g) Adjustment Budget Policy

The Adjustment Budget Policy is governed by various provisions in the MFMA and the Municipal Budget and Reporting Regulations, which are aimed at establishing an increased level of discipline responsibility and accountability in the financial management practices of the Municipality.

9.2 PROPOSED AMENDMENTS TO THE BUDGET RELATED POLICIES

A change in the rebate of property rates to residential property is recommended on the already approved Property Rates Policy.

10. BUDGET ASSUMPTIONS

Budget assumptions and parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets. The assumptions and principles applied in the drafting of this budget are mainly based upon guidelines from National Treasury and the National Electricity Regulator of South Africa (NERSA).

Municipalities long-term financial viability depends largely on the extent to which improved and sustainable revenue capacity on the one hand - and sound financial management of its resources on the other hand – can be achieved. These imperatives necessitate proper multi-year financial planning. Future impacts of revenue and expenditure streams and the financial implications for the community at large (i.e. the potential influence on property tax, tariffs and service charges) must be identified and assessed to determine the sustainability of planned interventions programmes, projects and sundry service delivery actions.

The following paragraphs outline the assumptions made by the Chief Financial Officer and the Budget Steering Committee:

A) INFLATION TARGET

At the beginning of each calendar year National Treasury issues a budget circular that is intended to guide Municipalities in the preparation of their budgets. Amongst other things the circular indicates anticipated inflation figures that are to guide the Municipalities when setting increases to their tariffs. Circular no 66 indicates an inflation rate of 5,1% for the 2013/2014 financial year.

Circular 66 also determines the following:

“National Treasury continues to encourage Municipalities to keep increases in rates, tariffs and other charges as low as practically possible. To ensure financial sustainability and the affordability of services.”

PERSONNEL ISSUES

The collective agreement regarding salary/wage increases provides for a 6,95% increase with effect from 1 July 2013. The Budget Steering Committee of Council however resolved that an increase of 7% with effect from 1 July 2013 must be budgeted for.

A Salary increase of 7% has therefore been provided for on the 2012/2013 salary budget.

- **Number of employees:** Provision has been made for positions that are filled and those that became vacant the past 12 months to accommodate critical and essential positions.

B) COUNCILLOR'S ALLOWANCES

Composition of and increases to Councillor's allowances are determined annually by the Minister of the Department of Co-operation and Traditional Affairs (COGSTA) through a Gazette setting out the upper limits of the allowances to Councillors. This Gazette is normally issued towards the end of December to apply retrospectively from July of that year. The Gazette had not been issued yet. An increase of 7% was resolved by the Budget Steering Committee.

C) BORROWINGS

The Municipal Finance Management Act no 56 of 2003 permits long term borrowing by Municipalities only to finance Capital Expenditure. The strategy of Greater Tzaneen Municipality is to borrow long-term funds only at the lowest possible interest rate at minimum risk. The outstanding loan amount is also taken into account when loan requirements are determined. It is this amount which directed the Budget Steering Committee to advice that no loan be taken up to finance Capital projects during the 2013/2014 financial year.

D) COLLECTION RATES

In accordance with relevant legislation and national directives, revenue recovery rates are based on realistic and sustainable trends. The municipal collection rate is set at an average of 94% and is based on a combination of actual rates achieved to date and estimated outcomes of the current financial period. Adequate provision is made for non-recovery.

E) BAD DEBTS PROVISION

Taking into account the collection rate of Council, the bad debt provision has been set at 10% of the amount to be billed.

F) TARIFF ADJUSTMENTS

An average Property Tax Rates tariff increase of 0% was modeled. This is due to the high increase in property values which resulted from the new preliminary valuation roll of Council

The electricity tariff adjustment is 7%, largely due to the increase for Eskom bulk purchases.

Water and Sewerage tariff adjustments are 6%, while Refuse and Disposal charges are modeled to increase by 6%

G) REPAIRS AND MAINTENANCE

Greater Tzaneen Municipality's target with regard to repairs and maintenance is set between 10% and 15% of total expenditure to address backlogs.

H) DEPRECIATION

Depreciation which is prescribed by the Budget Regulations on new capital expenditure is calculated at a varying rate ranging between 3 and 20 years, depending on the nature of the asset. Actual depreciation was modeled on existing assets.

I) WATER AND SEWER SERVICES

Mopani District Municipality is the Water and Sewer Services Authority and Greater Tzaneen Municipality is the Water and Sewer Service Provider. An agreement to this extend has been signed. The budget for these services have been drafted according to legislative requirements and will be submitted to Mopani District Municipality for approval.

The following DORA allocations have been made to Mopani District Municipality for services in the Greater Tzaneen Municipality area of jurisdiction for the 2013/2014 financial year:

Water	R77 084 000
Sewer	R64 236 000

It is assumed that from this allocation at least the following will be transferred to Greater Tzaneen Municipality:

Water R28 165 805
Sewer R1 265 774

J) ESKOM

ESKOM had indicated previously that it would ask for an increase that is substantially more than the inflation rate. Provision of 7,3% has been proposed by ESKOM.

K) TARGETED GROWTH

As part of the normal budgeting process consideration is normally given to the anticipated growth in the population of the Municipality due to normal increment and mobility of people into the urban areas where cost recovery is taking place. However due to stagnation of development in areas where cost recovery is taking place, due to infrastructural capacity constraints, no increases in the population has been taken into account.

L) CAPITAL EXPENDITURE

It is recommended that no loan be taken up to finance Capital expenditure and that all Capital projects be funded from Grants and own sources.

Very little has been done in terms of maintenance and general investment into the electricity infrastructure of the Municipality in general to ensure continued availability of the system. Should this not be addressed the Municipality might face a catastrophe in a few year's time.

M) GENERAL MAINTENANCE

Due to reduced maintenance budgets in previous years, the infrastructure of the Municipality has been deteriorating at a faster rate than normal. This will require substantial expenditure in future years in order to maintain these assets in a working condition. It is recommended that repairs and maintenance be split between routine maintenance and repairs and maintenance on renewal of assets as required by National Treasury.

N) PROPERTY RATES

The new Valuation Roll has not been finalized yet but will be effective from 1 July 2013. The preliminary valuation roll has been utilized to calculate the property rates tariffs.

O) OTHER ASSUMPTIONS

That unconditional grants and subsidies not be allocated to certain services but that it be allocated within the context of the overall financial position of Council.

11. OVERVIEW OF BUDGET FUNDING

Fiscal Overview

As part of our financial sustainability strategy an Aggressive Revenue Management Framework has been implemented to increase our Cash flow, not only from current billings but also from debtors that are in arrears. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

With regard to creditors management Council is in the process of ensuring that creditors are settled within the legislated 30 day of invoice. All invoices are paid within 30 days with the exception of a few where services have not been provided at an acceptable standard.

The free basic service of Council is a social package which assists residents that have difficulty paying for services and are registered as indigent households in terms of Councils Indigent Policy. Only registered indigents qualify for the free basic service.

Cash flow problems are experienced from time to time due to the seasonal electricity tariff of ESKOM.

The implementation of the MFMA required a reform in financial planning within Municipality's. The focus has shifted from the Municipal Manager and Chief Financial Officer to all senior managers who are responsible for managing the respective votes or departments of the Municipality, and to whom powers and duties for this purpose have been delegated. Top Management must also assist the Accounting Officer in managing and co-ordinating the financial administration of the Municipality.

During the performance management process Greater Tzaneen Municipality identified the following objectives to comply with the requirements of the Constitution:

- Apply innovative systems to retain existing customers;
- Promote community based problem solving;
- Improve service delivery in a sustainable manner;
- Enhance economic development through funding and partnerships;
- Optimally leverage capital investment and utilization; and
- Increase financial viability

The 5 year financial plan therefore focuses on the improvement of service delivery and the addressing of the physical infrastructure backlog's facing Greater Tzaneen Municipality.

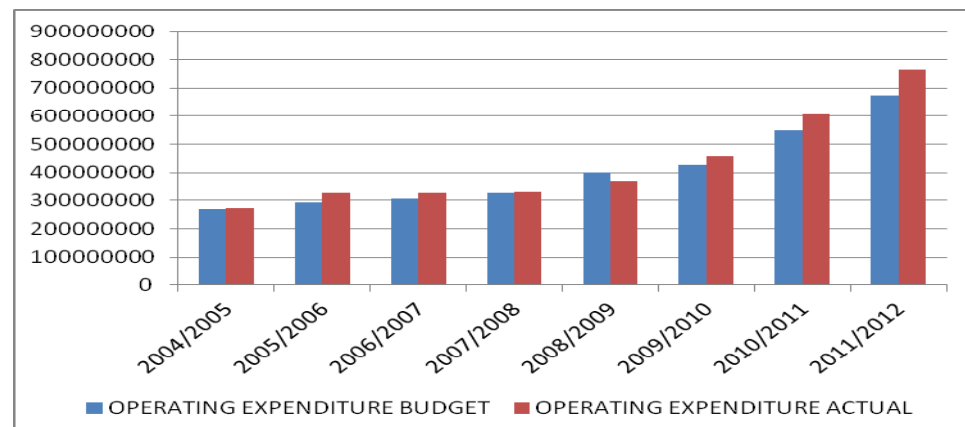
(A) Outcomes of the Past Years and Current year

The graph below indicates the comparison between budgeted and actual operating expenditure over the past 8 years:

OPERATING EXPENDITURE

YEAR	BUDGET	ACTUAL
2004/2005	270 218 800	273 261 622
2005/2006	293 533 474	329 631 453
2006/2007	304 739 349	329 472 551
2007/2008	331 225 571	333 231 173
2008/2009	399 323 160	368 815 783
2009/2010	429 143 386	458 726 916
2010/2011	547 791 565	607 531 345
2011/2012	675 115 734	766 127 341

GRAPH
Operating Expenditure

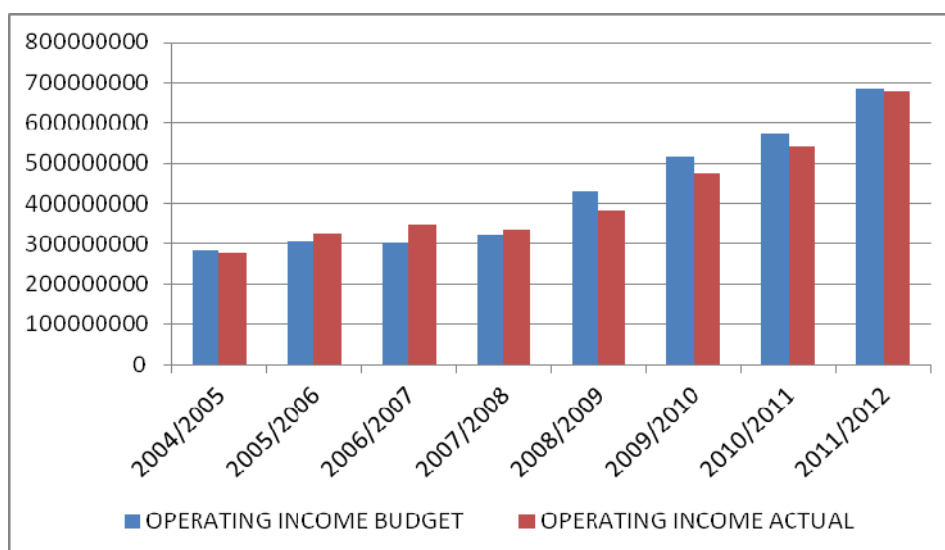


The graph below indicates the comparison between budgeted and actual operating Income over the past 8 year.

OPERATING INCOME

YEAR	BUDGET	ACTUAL
2004/2005	283 934 170	278 089 403
2005/2006	304 665 997	325 810 839
2006/2007	302 218 188	345 928 848
2007/2008	321 808 837	336 481 594
2008/2009	430 916 687	382 896 432
2009/2010	516 701 190	473 373 253
2010/2011	571 808 669	543 258 099
2011/2012	682 705 617	677 487 982

GRAPH Operating Income

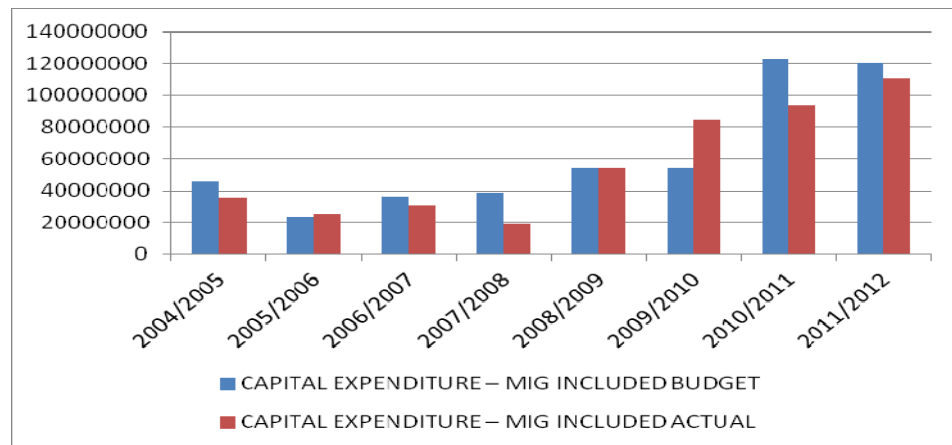


The capital expenditure against the budget of the past 8 years are also indicated graphically below:

CAPITAL EXPENDITURE – MIG INCLUDED

YEAR	BUDGET	ACTUAL
2004/2005	45 813 859	35 729 703
2005/2006	23 453 033	25 729 847
2006/2007	36 364 059	30 747 402
2007/2008	38 888 000	19 406 629
2008/2009	54 605 000	54 626 953
2009/2010	54 605 000	84 646 163
2010/2011	122 763 000	94 017 000
2011/2012	120 712 000	111 073 584

GRAPH Capital Expenditure



OPERATING BUDGET 2012/2013

Operating Revenue

The revenue of Greater Tzaneen Municipality is pre-dominantly raised through rates and tariffs. Grants and subsidies from National and Provincial Government constitute a relative small portion of the total revenue and thus the budget is based on a strong base of own sources.

Metered services contributed the following revenue to Greater Tzaneen Municipality during the 2011/2012 financial year:

Electricity	46%
Refuse Removal	3%

Since the 2008/2009 financial year the fair market value of a property has been applied in terms of the Property Rates Act.

OPERATING BUDGET 2013/2014

The Greater Tzaneen Municipal operating income will be allocated as follows during 2013/14 Financial year:

REVENUE	BUDGET
Property rates	-R 60 260 000
Property rates – penalties imposed and collection charges	-R 3 900 000
Service charges	-R434 055 244
Rental of facilities and equipment	-R 259 100
Interest earned – external investments	-R 3 001 000
Interest earned – outstanding debtors	-R 16 000 000
Fines	-R 3 210 136
Licenses and permits	-R 345 000
Income from agency services	-R 45 519 350
Government Grants and Subsidies	-R352 590 579
Other Revenue	-R 5 203 203
Gains on disposal of property, plant & Equip.	-R 2 300 000
Income Foregone	<u>R 11 145 000</u>
TOTAL REVENUE	<u>-R915 498 612</u>

Operating Expenditure

The budgeted expenditure per item are as follows for the 2013/2014 financial year:

ITEM	BUDGET
Employee Related Costs	R194 158 777
Employee Related Cost Social Contributions	R 42 513 168
Employee Cost Capitalized	-R 7 969 778
Employee Costs Allocated to other Operating Items	-R 95 791 838
Remunerations of Councillors	R 18 618 694
Bad Debts	R 17 706 000
Collection Costs	R 200 000
Inventory Surplus/Loss	R 0
Depreciation	R110 726 401
Repairs and Maintenance	R135 034 120
Interest Expense – External Borrowings	R 11 931 595
Bulk Purchases	R250 811 294

Contracted Services	R 47 078 423
Grants & Subsidies paid	R 25 040 196
Grants & Subsidies Paid unconditional	R 6 508 499
General Expenses	<u>R 79 782 932</u>
EXPENDITURE TOTAL	<u>R836 348 482</u>

CAPITAL BUDGET

An amount of R120 million was approved for capital projects for the 2012/2013 financial year. This was funded as follows:

- Own Sources R19 Million
- Loans R50 Million
- Grants R51 Million

An amount of R169,6 million is submitted to Council for the 2013/2014 financial year.

(b) FUNDING MEASURES

The funding of the budget is based on realistic anticipated revenue to be collected which was calculated on collection levels to date and actual revenue collected in previous financial years.

Financial Challenges

The challenges facing Greater Tzaneen Municipality are, inter alia, the following:

- Debt collection and Credit control
- The levying of property rates with emphases on sub-divisions and consolidations
- Recovering of all Greater Tzaneen Municipality income with emphasis on land sales
- Salary increases: Benchmarking

Sources of Funding

It is evident from the summary below that the revenue of Council is predominantly raised through rates, service charges and grants. This high level of relative stable revenue source is a key factor in sound financial position, the Municipality will however have to increase its tax base to insure that the much needed development can be funded.

The 2013/2014 expenditure will be funded as follows:

Funding source	Amount
Grants & Subsidies	R353 million
Rates & Service Charges	R494 million
Sundry Income	<u>R 68 million</u>
Budgeted Revenue	<u>R915 million</u>

(c) PROPERTY VALUATION RATES TARIFFS AND OTHER CHARGES

To maintain an effective, efficient and sustainable town, tariff increases are inevitable. Tariff setting plays a major role in ensuring desired levels of revenue by assisting in the compilation of a credible and balanced budget to accommodate the basic service provision. The determination of tariffs for the 2013/2014 financial year has been guided by our Tariff Policy and guidelines set by National Treasury in the Municipal Budget Circular 66 for the 2013/2014 MTREF.

Property Rates

The proposed property rates are to be levied in accordance with existing Council's Policy, and both the Local Government Municipal Property Rates Act 2004 (MPRA) and the Local Government Municipal Finance Management Act 2003.

The Property Rates Policy of Council is attached hereto as prescribed by National Treasury.

Property rates are based on values indicated in the General Valuation Roll. The Roll is updated for properties affected by land sub-division, alterations to buildings, demolitions and new buildings (improvements) through Supplemental Valuation Rolls. A new valuation roll will be effective from 1 July 2013 and the Property Rates Tariff contained in the 2013/2014 Preliminary Budget is calculated on the Preliminary Valuation Roll which still needs to be communicated to the Community.

The proceeds from property rates must cover the shortfall in the provision of general service. It is also seen as the most important source of general revenue for Municipalities, especially in developed areas. The revenue generated from property rates is used to fund services like maintaining streets, roads, sidewalks, storm water drainage, parks and cemeteries.

Due to the high increase in property valuations it is proposed that the property rates tariff remains the same as the approved tariff for the 2012/2013 financial year and that the rebate be changed from 20% to 30% on all residential property.

Water Service

Council must take note that Greater Tzaneen Municipality is only the service provider and not the service authority.

The water and sewer budget is drafted by Greater Tzaneen Municipality but submitted to Mopani District Municipality for approval.

The proposed Water and Sanitation Tariffs for 2013/2014 are consistent with National Policy on the extension of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent Relief Measures, Rates and Tariff Policies and Equitable Service Framework.

The progressive nature of the existing domestic stepped tariff structure both for water and sanitation is pro-poor and allows for the needs of the indigent. It is also designed to discourage high water consumption levels, which have an impact on the size of both the water and sanitation portions of a consumer's bill. It enables all consumers to adjust their consumption levels to ensure affordability.

It is proposed that the step tariff structure from the 2012/2013 financial year be retained, with a proposed 6% increase in volumetric water tariffs generally, and a proposed 6% increase in sanitation tariffs generally.

It is also recommended that the indigent account be increased from R30 per month to R40 per month. The R30 per month account was in place since the 2004 financial year.

Electricity Service

The proposed revisions to the tariffs have been formulated in accordance with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

Guidelines for the Municipal Electricity tariff increases in July are normally published by NERSA in the previous December. This did

not materialized seeing that NERSA has indicated that they will only finalize ESKOM's tariff application by 28 February 2013, National Treasury advises Municipalities to budget for a 14,4% increase in their preliminary tariffs. The new agreed tariff increase has however been published at the end of March 2013, and was set at 7%.

Refuse Removal Service

According to the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) a municipality must ensure a safe and healthy environment for its residents. Greater Tzaneen Municipality is therefore responsible to adequately maintain its refuse removal service. We must also maintain our refuse sites and solid waste disposal efforts.

The solid waste tariffs are levied to recover costs of services provided directly to customers and include collection fees, disposal fees and other ad hoc services.

It is proposed that the tariff be increased by 6% on the 2012/2013 tariffs with effect from 1 July 2013.

Tariffs and Charges Book

Council is permitted to levy rates, fees and charges in accordance with the Local Government Municipal Property Rates Act, the Local Government: Municipal Systems Act, Act 32 of 2000, Section 75A and the Municipal Finance Management Act, no. 56 of 2003, 17 (a)(ii).

(d) DEBTORS

The table below illustrates the debtor revenue in millions for the 6 months, July 2012 to December 2012:

DEBTOR REVENUE	JULY 12 R000,	AUG 12 R000,	SEPT 12 R000,	OCT 12 R000,	NOV 12 R000,	DEC 12 R000,
Revenue Billed	43 242	48 735	45 507	38 957	38 223	37 332
Revenue Collected	31 629	40 562	41 926	45 828	43 546	32 700
% Revenue Collected	73,14%	83,23%	92,13%	117,64%	113,93%	87,59%

The MFMA requires that the budget be based on realistic forecasts for revenue and over the said period the collection rate for Greater Tzaneen Municipality amounted to 94,6%.

(e) SAVINGS AND EFFICIENCIES

To ensure value for money and efficient utilization of resources, performance indicators have been set for all Section 57 Directors as well as all Managers. In-year reports (monthly and quarterly) as well as annual reporting are done on functional service delivery against information contained in the approved SDBIP.

Performance plans and productivity measures exist for each manager and it is expected of top management (all Directors) to manage their respective votes / departments.

(f) INVESTMENTS

Adequate provision has been made by way of external investments to ensure that cash is available on the maturity date of external sinking fund loans. Short-term Investment income on the other hand is utilized to fund the operational budget.

Details of the investments of Greater Tzaneen Municipality are disclosed as follows.

Valuation of unlisted Investments

Liberty	<u>R5 078 848</u>
TOTAL	<u>R5 078 848</u>

Excelsior 1000 Investment

An investment of R855 619 has been made with Liberty to repay a loan of R15 million on maturity date. The loan bears interest on variable rate and the value of the investment amounts to R5 078 848.

(g) GRANT ALLOCATION

The new DORA has been published and the new grants have been included in the budget.

The grant allocation as published in the Division of Revenue Act are summarized as follows:

<u>Allocation</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
Equitable Share	R211 762 000	R236 039 000	R289 971 000
Municipal Infrastructure Grant	R 73 247 000	R 87 151 000	R 94 284 000

Financial Man Grant	R 1 550 000	R 1 600 000	R 1 650 000
INEP (Elect)	R 20 000 000	R 25 000 000	R 25 000 000
Mun. Syst Imp. Grant	R 890 000	R 934 000	R 967 000
Neighbourh Dev Grant	R 5 000 000	R -	R-
Expanded Public works Prog.	R 1 710 000	R -	R-
RHIG	R 4 000 000	R 4 500 000	R 4 500 000
EE & D	R 5 000 000	R 5 000 000	R 5 000 000

Council must also take note of the following indirect Grants which have been allocated to Greater Tzaneen Municipality.

<u>GRANT</u>	<u>2013/2014</u>	<u>2014/2015</u>	<u>2015/2016</u>
INEP	R 28 694 000	R 25 800 000	R 40 000 000
NDPG	R 1 000 000	R 1 000 000	R 1 000 000
MIG	R132 707 000	R151 916 000	R163 975 000
MWIG	R 6 554 000	R 14 662 000	R 37 770 000

These are indirect Grants which means that the money will not be transferred to Council, but projects to the Value of the mentioned amounts will be executed in our area of jurisdiction.

12. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

According to the introduction of the Municipal Infrastructure Grant (MIG) the grant has been divided as follows for the following three Municipal Budget years:

Financial Year 2013/2014: Allocation R73 247 000.00

PROJECT NAME	MIG FUND	COUNTER FUND	TOTAL
Sasekani to Nkowankowa Tar Road: Phase 3 – D3763 (7 km)	R 1 199 475.00	R 5 301 368.00	R 6 500 843.00
Senakwe to Morapalala Tar Road: Phase 2 – D3215 (4,3km)	R 9 282 635.00	R11 485 000.00	R 20 767 635.00
Mafarana to Sedan Tar Road – D3767L Phase 2 (2km)	R10 136 130	R 6 001 022.00	R 16 137 152.00
Thapane to Moruji Tar Road: Phase 2 D3248 – D3175 (6,5 km)	R27 791 380.00	R10 200 307.00	R 37 991 687.00
Ramotshinyadi Bridge: Phase 2	R 9 115 500.00	R 2 890 530.00	R 12 006 030.00
Refurbishment and Upgrading of Nkowankowa Stadium	R 2 000 000.00	R0	R 2 000 000.00
Refurbishment and Upgrading of Lenyenye Stadium	R 5 000 000.00	R0	R 5 000 000.00
Refurbishment of Tzaneen swimming pool	R 3 692 000.00	R0	R 3 692 000.00
Hawker Esplanades	R 100 000.00	R0	R 100 000.00
Community Hall Relela	R 1 000 000.00	R0	R 1 000 000.00
Renovation of Parks	R 1 000 000.00	R0	R 1 000 000.00
PMU Management	R 2 929 880.00		R 2 929 880.00
TOTAL	R73 247 000.00	R35 878 227.00	R109 125 227.00

Financial Year 2014/2015: Allocation R87 151 000.00

PROJECT NAME	MIG FUND	COUNTER FUND	TOTAL
Moruji to Maswi: Upgrading road from gravel to tar – Phase 1 (6 km)	R26 315 789.00	R3 684 210.00	R30 000 000.00
Rita to Mariveni: Upgrading road from gravel to tar – Phase 1 (6 km)	R26 315 789.00	R3 684 210.00	R30 000 000.00
Upgrading of Juliesburg Sports ground	R10 072 630.00	R0	R10 072 630.00
Upgrading of Burgersdorp Sports ground	R3 000 000.00	R0	R3 000 000.00
Tickyline – Mayakayaka Burgersdorp – Gavaza – Mafarana Phase 1 (5 km)	R17 960 752.00	R4 344 676.00	R22 305 428.00
PMU Management	R3 486 040.00	R0	R3 486 040.00
TOTAL	R87 151 000.00	R11 713 096.00	R98 864 089.00

Financial Year 2015/2016: Allocation R94 284 000.00

PROJECT NAME	MIG FUND	COUNTER FUND	TOTAL
Moruji to Maswi: Upgrading road from gravel to tar – Phase 2 (6 km)	R26 315 789.00	R3 684 210.00	R30 000 000.00
Rita to Mariveni: Upgrading road from gravel to tar – Phase 2 (6 km)	R26 315 789.00	R3 684 210.00	R30 000 000.00
Upgrading of Runnymede Sports ground	R14 142 600.00	R0	R14 142 600.00
Tickyline – Mayakayaka Burgersdorp – Gavaza – Mafarana Phase 2 (7 km)	R23 738 462.00	R5 303 348.00	R29 041 810.00
PMU Management	R3 771 360.00	R0	R3 771 360.00
TOTAL	R94 284 000.00	R12 671 768.00	R106 955 770.00

13. ALLOCATIONS OF GRANTS MADE BY THE MUNICIPALITY

The allocations made by Council for the 2013/2014 financial year can be summarized as follows:

Museum	R 33 326
Eskom EBSST	R3 500 000
Mayor Special Account	R 120 000
SETA	R 26 000
SPCA	R 102 500
Mayors Bursary Account	R 400 000
Sport Council	R 106 644
Arts & Cultural	R 24 217

14. DISCLOSURE ON COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS

(A) COUNCILLORS ALLOWANCES AND COST TO COUNCIL

	SALARY	TRAVELLING	TEL. ALL	SETA
CHIEF WHIP	403 429	134 476	21 263	2 236
COUNCILLOR	8 714 058	2 904 686	716 241	48 603
EXCO	1 109 428	369 809	66 319	5 386
FULL TIME	1 996 972	672 381	106 315	8 490
MAYOR	537 905	179 302	21 263	2 726
SPEAKER	430 324	143 441	21 263	2 379
TOTAL	13 192 116	4 404 095	952 664	69 819

(B) EMPLOYER BENEFITS FOR MUNICIPAL MANAGER AND OTHER SENIOR MANAGERS

	MUNICIPAL MANAGER	DIRECTOR PLANNING & ECONOMIC DEVELOPMENT	CHIEF FINANCIAL OFFICER	DIRECTOR CORPORATE SERVICES VACANT	DIRECTOR COMMUNITY SERVICES	DIRECTOR ELECTRICAL ENGINEERING SERVICES	DIRECTOR ENGINEERING SERVICES
B/SALARY	1 284 000	1 034 690	1 070 000	1 034 690	1 034 690	1 034 690	1 034 690
INSENTIVE Bonus	128 400	103 469	107 000	103 469	103 469	103 469	103 469
A/BONUS	0	0	0	0	0	0	0
UIF	1 910	1 910	1 910	1 910	1 910	1 910	1 910
SETA	13 910	12 840	12 840	12 840	12 840	12 840	12 840
LEAVE RED	44 512	33 110	34 240	33 110	33 110	33 110	33 110
TOTAL	1 472 732	1 186 019	1 225 990	1 186 019	1 186 019	1 186 019	1 186 019

(C) EMPLOYEE BENEFITS FOR OTHER MUNICIPAL EMPLOYEES

BENEFIT	AMOUNT
Basic Salary	R148 463 673
Overtime	R 11 679 181
Pension Scheme Contribution	R 0
Bonus	R 11 770 532
Standby	R 2 577 130
Leave Redemption	R 7 646 057
Housing Allowance	R 1 920 978
Travel Allowance	R 9 328 480
Performance Incentive Schemes	R 752 746
Medical Aid Contribution	R 9 200 263
Pension Schemes	R 25 742 239

UIF Contribution	R 1 208 302
Group Insurance	R 2 110 434
Workmens Compensation	R 2 175 632
SETA	R 2 021 294
Bargaining Council	R 55 004
TOTAL	<u>R236 651 945</u>

Cost to Council: Political Office – Bearers and collectively

	SALARY	TRAVELLING	TEL.	SETA
CHIEF WHIP	403 428	134 476	21 263	2 235
COUNCILLOR	161 371	53 790	13 263	2 110
EXCO	221 885	73 961	13 263	1 088
FULL TIME	403 428	134 476	21 263	2 235
MAYOR	537 905	179 301	21 263	2 725
SPEAKER	430 323	143 441	21 263	2 378

Number of Councillors: 69

Number of Personnel: 605

Greater Tzaneen has 605 full time personnel employed which includes Senior Managers appointed in terms of Section 57 of the Municipal Systems Act. The Senior Managers are:

The Municipal Manager	Mr. M.E. Mankabidi
The DirectorPED	Mr. T.J. Nkuna
The Director Corporate Services	Vacant
The Chief Financial Officer	Ms N.M. Lion
The Engineering Services Director	Ms D.S. Makoti
The Electrical Engineering Director	Mr. P Van den Heever
The Community Services Director	Mr. O.Z. Mkhombo

15 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASHFLOW

(a) CONSOLIDATED PROJECTION OF REVENUE BY SOURCE AND EXPENDITURE BY TIPE.

Attached as Annexure “L”

(b) CONSOLIDATED PROJECTION OF REVENUE AND EXPENDITURE BY VOTE.

Attached as Annexure “M”

(c) CAPITAL EXPENDITURE BY VOTE.

2013/2014

DEPARTMENT	OWN SOURCES	LOANS	GRANTS	TOTAL
Eng. Services	45 878 227		74 317 120	120 195 347
Elect. Services	34 500 000		5 000 000	39 500 000
PED	2 565 000		5 000 000	7 565 000
Municipal M	409 000			409 000
Corp Serv M	860 500			860 500
Community S	600 000			600 000
CFO	500 000			500 000
TOTAL	85 312 727		84 317 120	169 629 847

2014/2015

DEPARTMENT	OWN SOURCES	LOANS	GRANTS	TOTAL
Eng. Services	27 478 596		88 164 120	115 643 556
Elect. Services	38 469 120		5 000 000	43 469 120
PED	5 500 000			5 500 000
Municipal M	850 000			850 000
Corp Serv M	1 000 000			1 000 000
Community S	4 525 000			4 525 000
CFO	500 000			500 000
TOTAL	78 322 716		93 164 960	171 487 676

2015/2016

DEPARTMENT	OWN SOURCES	LOANS	GRANTS	TOTAL
Eng. Services	32 015 578		95 012 640	127 028 218
Elect. Services	70 182 129		5 000 000	75 182 129
PED	14 500 000			14 500 000
Municipal M	550 000			550 000
Corp Serv M	500 000			500 000
Community S	2 465 000			2 465 000
CFO	500 000			500 000
TOTAL	120 712 707		100 012 640	220 725 347

**(d) CASH FLOW SETTING OUT RECEIPTS BY SOURCE
AND PAYMENT BY TYPE.**

Attached as Annexure “F”

**16 SUMMARY OF THE BUDGET AND THE SDBIP –
INTERNAL DEPARTMENTS**

**A) Executive summary of the SDBIP for each internal
department.**

In terms of Section 53 (1) (c) (ii) of the Municipal Finance Management Act, the Service Delivery and Budget Implementation Plan (SDBIP) is defined as a detailed plan approved by the Mayor of a Municipality for implementing its delivery of municipal services and its annual budget which must indicate the following:-

a) Monthly projections of-

- I Revenue to be collected, by source; and
- II Operational and capital expenditure by vote

b) Service delivery targets and performance indicators for each quarter.

c) Other matters prescribed.

The Mayor, in accordance with Section 53 of the MFMA, is expected to approve the SDBIP within 28 days after the approval of the Budget. In addition, the Mayor must ensure that the revenue and expenditure projections for each month and the service delivery targets and performance indicators as set out in the SDBIP are made public within 14 days after its approval.

The SDBIP gives effect to the Integrated Development Plan and the Budget of the Municipality. It is an expression of the objectives of the Municipality in quantifiable outcomes which will be implemented by the administration for the financial period from 1 July 2013 to 30 June 2014. It includes the service delivery targets and performance indicators for each quarter, which should be linked to the performance agreements of senior management. It therefore facilitates oversight of financial and non-financial performance of the Municipality and allows the Municipal Manager to monitor the performance of the managers.

B) Services provided including level of services

With regard to service delivery standards Greater Tzaneen Municipality endeavors to realize the following values:

- Give priority to the basic needs of the community
- Promote the development of the community
- Ensure that all members of the Local Community have access to at least the minimum level of basic municipal services.

With regard to the levels of services currently rendered in our area of jurisdiction we are convinced, although much more needs and will be done, that Greater Tzaneen Municipality is one of the leading municipalities in the Province.

The level of the different services currently rendered by Council can be summarized as follows:

Waste Management

- Level of Service

A full curbside collection service is rendered to communities in Tzaneen, Nkowankowa, Lenyenye, Letsitele and Haenertsburg, which represents only 11% of all households. All general and health care waste are also removed from viz: Tzaneen, Nkowankowa, Lenyenye, Letsitele, Haenertsburg (at present 30 000m³ compacted refuse).

- Backlogs

- » 16% of households in the total rural areas, representing ± 14 979 households, receives a basic collection service by means of 7 x civic pilot groups. (Transporters of waste)
- » The pilot groups are volunteers collecting refuse at 7 x rural waste service area.
- » The cost to address the service in full with immediate effect will be approximately R126 million for all 129 Villages.

- Waste Minimization

- ◇ The following production of refuse exists in the Greater Tzaneen Municipality area, resulting in a life-span of ± 17 years for the landfill site if growth will be considered:
 - ~ Volumes generated = 30 000m³ p.a. compacted
 - ~ Capacity of the Landfill = 811 000m³
 - ~ Compaction = 5:1
- ◇ The landfill site is presently utilized as a landfill site receiving solid waste from Tzaneen and Greater Letaba. (Modjajikloof)
- ◇ Presently all organic waste (garden) is treated at the composting site adjacent to the landfill.
(Presently $\pm 15\,436\text{m}^3$ p.a.)
- Litter Picking. (Main Roads & Streets)
 - » All streets and main roads are cleaned on a regular basis.
- Recycling
 - » Recycling takes place at the landfill and private premises and are removed by private enterprise from industrial and business premises. Recycling volume is $\pm 5\,343\text{m}^3$ p.a.

Collections

The services must be extended to include:

- + 129 Villages of another 76 441 residential stands which are situated within the rural jurisdiction area of Greater Tzaneen Municipality.
- » The mandate of Greater Tzaneen Municipality is to provide all households with a basic removal service.

Water and Sewer Services

Level of Service

Water Treatment

Greater Tzaneen Municipality manages and operates Water Works in Tzaneen (Georges Valley and Tzaneen Dam) and Letsitele (Letsitele Water Works) at 100% efficiency level. These water works comply with Blue Drop Certification and SANS 241:2011 levels and criteria as set by Department of Water Affairs. Haenertsburg and Nkowankowa

are supplied by Lepelle Northern Water while Lenyenye is supplied by Mopani District Municipality as Water Services Authority. Regular water samples are collected from different points of these mentioned towns and analyzed accordingly.

Boreholes are mainly used to augment the non-functional water works in rural areas and in places where there is no other sources than ground water. More than 35% of the total boreholes are dysfunctional due to vandalism, theft of electrical cables, transformers and also theft of borehole pumps. Council supplies water to the rest of the rural community through water tankers.

Wastewater Treatment

Greater Tzaneen Municipality manages and operates Tzaneen Sewage Works and assist Mopani District Municipality to maintain Nkowankowa Sewerage Works and Lenyenye Oxidation Ponds. Both Haenertsburg and Letsitele are using Septic tanks which are drained regularly at the request of the owner. The majority of the rural community use VIP latrines.

Maintenance of Water services network

A 100% maintenance services is rendered by Greater Tzaneen Municipality to the following towns:

- Tzaneen
- Nkowankowa
- Lenyenye
- Letsitele
- Haenertsburg

Although Greater Tzaneen Municipality always respond to community request to repair or assist with maintenance to equipments in rural areas but to date the maintenance in rural areas is in the hands of Mopani District Municipality.

Electricity

Tzaneen has the options of power delivery in single or three phase form. Pilot projects with 20 Amp pre-paid dispensers are also currently running, which constitutes a possible future third option.

The Municipality's licensed distribution area is basically 88% electrified, with some minor farm labour electrification projects in

progress, whilst where the municipal area overlaps with the Eskom licensed distribution area, these areas are 85% electrified.

Power provision is on a 24 hour basis with minimal interruptions due to faults and maintenance due to lack of funding for operational and capital activities systems integrity is being negatively affected. Vegetation Control has now been in sourced.

The issue of FBE (Free Basic Electricity) to our indigent people has been fully addressed by Council and is implemented as far as the Eskom administrative constraints will allow.

Council is also one step closer to resolving the electricity capacity issues with the first phase of the Western substation complete.

C) Senior Management Capability and Structure

The organizational structure of the Municipality as from 1 July 2011 provides for the following service departments:

- Office of the Mayor
- Office of the Municipal Manager
- Office of the Chief Financial Officer
- Planning & Economic Development Services
- Corporate Services
- Engineering Services
- Community Services
- Electrical Engineering Services

Each department is headed by a Section 56/57 Manager appointed on a fixed term contract coupled to an renewable Annual Performance Agreement.

As on the 1st February 2013 only the positions of six Senior Managers (Directors) were filled. The position Director Corporate Services will be re-advertised whilst that of the Director in the office of the Mayor is not filled due to unavailability of funds.

Care is being taken as prescribed in legislation that capable Senior Managers are being appointed who have the necessary qualifications and experience to do justice to their respective functions and responsibilities.

D) Changes to service levels and standards

The service levels and standards are contained in item 16 (B) of this report.

17 SUMMARY OF BUDGET AND SDBIP – ENTITIES

Greater Tzaneen Municipality does not have an entity.

18 CONTRACTS HAVING FUTURE AND BUDGETARY IMPLICATIONS

a) NAMES OF ALL CONTRACTING PARTIES

NAME	SERVICE
Quality Plant Hire	- Ramotshinyadi,
UMS	- Electrification and water meter reading and Performing of credit control measures.
Green Valley Contractors	- Construction of 11 kV and 33 kV Overhead lines
Mohale Electrical	- Tzaneen Main Western Substation new 66 kV double circuit line.
Siphiwe Engineering	- Electrification of Mokgoloboto
Leshika Consulting	- Electrification of Pulaneng and Mokgoloboto Village
	- Mbhekwana Village and Lekwareny
Finance Leases / ABSA	- Information Technology Equipments
IPES Utility Management	- Clearance of the Municipalities debt book as well as the implementation of credit control and indigent verification
Marsh	- Insurance
The Waste Group	- Cleansing waste and refuse removal.

b) INFORMATION ON EXPENDITURE ON EACH CONTRACT FOR THE LAST THREE YEARS

Quality Plant Hire	-	R 5 357 609
African Meter Reading	-	R 4 924 973
Green Valley Contractors	-	R14 033 210
Mohale Electrical	-	R 8 088 725
Siphiwe Engineering	-	R 3 969 510
Leshika Consulting	-	R 1 923 522
Kgoshi Electrical	-	R15 690 549
The Waste Group	-	R28 585 283
Alexander Forbes	-	R17 852 654

c) THE TOTAL EXPENDITURE ON EACH CONTRACT TO DATE

Quality Plant Hire	-	R5 357 609
UMS	-	R 939 608
Green Valley Contractors	-	R2 084 857
Siphiwe Engineering	-	R 95 541
Leshika Consulting	-	R 565 997
Kgoshi Electrical	-	R3 795 464
Ipes Utility Management	-	R1 946 127
Marsch	-	R3 300 000
The Waste Group	-	R5 698 078

d) PLANNED EXPENDITURE ON EACH CONTRACT FOR THE BUDGET YEAR AND THE FOLLOWING TWO YEARS

Quality Plant Hire	-	R12 751 569.00
UMS	-	R 1 460 000.00
Green Valley Contractors	-	R 7 000 000.00
Ipes Utility Management	-	R 4 700 000.00
Siphiwe Engineering	-	R 5 501 973.95
Leshika Consulting	-	R11 861 737.00
Finance Leases / ABSA	-	R 4 093 381.22
Motla Engineering	-	R 1 630 000.00
Conco	-	R 1 030 000.00
Zizwe	-	R 935 500.00
Marsch	-	R 8 600 000.00
The Waste Group	-	R 9 750 000.00

e) ESTIMATE OF THE TOTAL BUDGETARY IMPLICATIONS OF EACH CONTRACT

Provision has been made on the budget by the department to accommodate the cost i.e. Contracted Services, Repairs & Maintenance, Depreciation, etc., of all contracts.

19 SUMMARY OF DETAILED CAPITAL BUDGET

Capital expenditure relates to the investment in major initiatives, the benefit of which is going to last for more than one financial year.

Although the benefits derived from capital projects will last for more than one year, Council must take cognizance that capital expenditure has ongoing financial implications on the operational budget. If a vehicle testing station is built it has ongoing financial implications with regard to staffing, furniture, municipal services (water and lights), interest on external loans and depreciation, etc.. Not only must funds be made available on the capital budget, but sufficient funds must also be provided on the operational budget to sustain the operations into the future.

Section 19(2) of the MFMA determines that:

“(2) Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider:-

(a) the projected cost covering all financial years until the project is operational; and

(b) the future operational costs and revenue on the project, including municipal tax and tariff implication.”

Council must also take cognizance that the budget which includes the capital projects is informed by the IDP. The projects on the IDP are firstly subjected to a prioritization system and subject to the availability of funds, before it is included in the capital budget.

Section 19 of the MFMA determines that a Municipality may spent money on a capital project only if the money for the project has been appropriated in the capital budget. It also determines that the total cost of the project must be approved by Council and that the sources of funding for the project are available and have not been committed for other purposes.

The borrowings of Greater Tzaneen Municipality amounted to R152 million on 30 June 2012. This amount represented 23% of the total Actual Income for the 2011/2012 financial year which is the last Audited financial year. Due to the high outstanding loan amount the Budget Steering Committee recommends that no loan be taken up to finance Capital projects during the 2013/2014 financial year.

The details of the capital budget are summarized as follows:

LOANS

No loans will be taken up.

CAPITAL PROJECTS FROM OWN SOURCES

2013/2014

DEPARTMENT NUMBER	DEPARTMENT	2013/2014
002	Municipal Manager	409 000
052	Corporate Services	860 500
032	Financial Services	500 000
140	Community Services	600 000
062	Engineering Services	45 878 227
162	Electrical Engineering Services	34 500 000
012	PED	2 565 000
	TOTAL	85 312 727

2014/2015

DEPARTMENT NUMBER	DEPARTMENT	2013/2014
002	Municipal Manager	850 000
052	Corporate Services	1 000 000
032	Financial Services	500 000
140	Community Services	4 525 000
062	Engineering Services	27 478 596
162	Electrical Engineering Services	38 469 120
012	PED	5 500 000
	TOTAL	78 322 716

2015/2016

DEPARTMENT NUMBER	DEPARTMENT	2013/2014
002	Municipal Manager	550 000
052	Corporate Services	500 000
032	Financial Services	500 000
140	Community Services	2 465 000
062	Engineering Services	32 015 578
162	Electrical Engineering Services	70 182 129
012	PED	14 500 000
	TOTAL	120 712 707

CAPITAL PROJECTS FROM GRANTS

COST CENTRE	GRANTS	2013/2014	2014/2015	2015/2016
Electricity	EE & D	5 000 000	5 000 000	5 000 000
PMU	MIG	70 317 120	83 664 960	90 512 640
PED	NDPG	5 000 000	0	0
Eng. Serv.	RHIG	4 000 000	4 500 000	4 500 000
TOTAL		84 317 120	93 164 960	100 012 640

Council is also informed that a Grant for the electrification of houses in various villages has been allocated to Greater Tzaneen Municipality. Although capital projects will be implemented with this Grant, the connections will be transferred and the expenditure is therefore treated as operational expenses.

FINANCIAL IMPLICATIONS OF CAPITAL EXPENDITURE

Section 18 of the MFMA determines, inter alia, that a Municipality may make use of borrowed funds, but only to finance capital expenditure.

External borrowing therefore represents capital funds. It must, however, be emphasized that although external borrowing represents capital funds it has a negative effect on the operational budget in the form of interest and

depreciation. The result of this is less funds available for maintenance and general administration costs.

Should Council consider a loan for Capital projects it will have the following financial implication on the operational budget:

LOAN	INTEREST	DEPRECIATION	TOTAL
R10 000 000	R1 200 000	R666 666	R1 866 666

These costs are based on a 15 year loan at an interest rate of 12%. This is just an indication of what the borrowing cost for every R10 million will be, should Council consider to take up a loan to finance Capital projects.

No capital cost, interest and depreciation, have been included in the operational budget.

20 LEGISLATIVE COMPLIANCE STATUS

Compliance with the MFMA requirements have been substantially adhered to through the following activities:

- Budget and Treasury Office have been established in accordance with the MFMA.
- Budget Steering Committee required by the Budget Regulations has been established and is functional.
- The 2013/2014 IDP review process is underway, with community consultation in process as required by Legislation.
- The Annual Budget has been prepared in accordance with the requirements prescribed by National Treasury, the MFMA and budget regulations.
- The Municipal Supply Chain Management Policy was adopted and the three committees required by the Act have been established and are functional.
- Compliance with regard to monthly, quarterly and annual reporting to the Mayor, Executive Committee, Council, Provincial Government and National Treasury.
- The Annual Financial Statements complies with all the statements of GRAP.

- The Annual Report has been prepared in accordance with the MFMA and National Treasury requirements.
- A District Audit Committee has been established which provides an oversight function over the Financial Management and Performance of the Municipality.

21 OTHER SUPPORTING DOCUMENTS

21.1 Providing clean water and managing waste water.

Attached as Annexure “J” is a certificate of analysis of water samples of Greater Tzaneen Municipality.

22 ANNUAL BUDGET OF MUNICIPAL ENTITIES

Greater Tzaneen Municipality does not have an Entity.

23 PERFORMANCE AGREEMENTS OF SENIOR MANAGERS

The performance agreements of Senior Managers are attached hereto as annexure “Q”

24 MUNICIPAL MANAGERS QUALITY CERTIFICATION

The Quality Certificate is attached as Annexure “ N “.

DEPARTMENTAL COMMENTS

COMMENTS FROM CORPORATE SERVICES

COMMENTS FROM ENGINEERING SERVICES

COMMENTS FROM ELECTRICAL ENGINEERING

COMMENTS FROM PLANNING AND ECONOMIC DEVELOPMENT

COMMENTS FROM COMMUNITY SERVICES

COMMENTS FROM THE CFO

COMMENTS FROM THE MUNICIPAL MANAGER

COMMITTEE OUTCOME OR STUDY GROUP OUTCOMES

RESOLVED TO RECOMMEND

ATTACHMENT